Freedom To Create. Spirit To Achieve.

Agriculture and Rural Development

Annual Report
2008-2009

Government of Alberta

Agriculture and Rural Development

Annual Report
2008 – 2009

CONTENTS

1 Preface
2 Minister's Accountability Statement
3 Message from the Minister
5 Management's Responsibility for Reporting

9 Overview
6 Charts of Ministry Entities
9 Entities — Ministry of Agriculture and Rural Development
  9 Department
  16 Agencies, Boards and Commissions
18 Operational Overview

19 Auditor General Review Engagement Report for Performance Measures

21 Results Analysis
21 Results of Operations
24 Performance Measures Summary
38 Future Challenges
41 Core Businesses, Goals and Measures
65 Performance Measures Methodology
75 Agriculture and Rural Development

75 Financial Information
75 Financial Statements
77 Ministry of Agriculture and Rural Development
99 Department of Agriculture and Rural Development
125 Agriculture Financial Services Corporation
149 Agriculture Livestock and Meat Agency Ltd.

160 Other Information
160 Summary of Financial Information
161 Alphabetical List of Government Entities' Financial Statements

Preface

Public Accounts 2008 – 2009

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Government Accountability Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 24 Ministries.

The annual report of the Government of Alberta released June 30, 2009, contains Ministers' accountability statements, the consolidated financial statements of the Province and the *Measuring Up* report, which compares actual performance results to desired results set out in the government's business plan.

This annual report of the Ministry of Agriculture and Rural Development contains the Minister's accountability statement, the audited consolidated financial statements of the Ministry and a comparison of actual performance results to desired results set out in the Ministry business plan. This Ministry annual report also includes:

- **the financial statements of entities making up the Ministry including the Department of Agriculture and Rural Development, regulated funds and provincial agencies for which the Minister is responsible,**
- **other financial information as required by the *Financial Administration Act* and *Government Accountability Act*, either as separate reports or as a part of the financial statements, to the extent that the Ministry has anything to report, and**
- **financial information relating to trust funds.**

Minister's Accountability Statement

The Ministry's annual report for the year ended March 31, 2009, was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as at September 8, 2009 with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.

[original signed by]

George Groeneveld
Minister of Agriculture and Rural Development
September 8, 2009

Message from the Minister

Albertans are recognized as leaders and innovators. The province's agriculture industry is no exception.

This year saw many challenges, opportunities and successes in Alberta's agriculture and food industry and in our rural communities. Significant change and transformation were required to position our industry as a competitive player on a global stage and to build the necessary capacity within Alberta's rural communities.

In June 2008, we unveiled the Alberta Livestock and Meat Strategy (ALMS), a long-term strategy to stabilize and strengthen Alberta's livestock industry. ALMS outlines eight priority initiatives designed to achieve significant change in our industry. The Alberta Meat and Livestock Agency Ltd., incorporated on January 29, 2009, will redirect government funds, resources and programs to help revitalize the livestock sector, enhance the value chain and achieve the necessary changes to build a more competitive industry.

At the same time that ALMS was unveiled, our department strategically restructured its program and service delivery to better focus on key priorities that serve Albertans and the agriculture industry. This reorganization was necessary to support the successful transition of the livestock industry with ALMS. Realignment within the department has brought a renewed focus to services and expertise that support agriculture and food businesses and producers across the province.

We identified traceability and premises identification as priority initiatives under ALMS because they provide value-added attributes for our products. The decision to build a traceability system was motivated not only by market access and competitiveness concerns, but also to protect animal and human health. More than 85 per cent of the 2008 calf crop was age verified, and more than 23,000 premises have been registered in the Alberta system.

The *Animal Health Act* (AHA), Alberta's primary animal disease control legislation, came into effect on January 1, 2009, along with three new regulations. The AHA reflects the needs of today's livestock industry, Alberta's reliance on access to international markets and the need for animal disease control and surveillance.

To assist in stabilizing the industry during the first phase of the ALMS transformation, Alberta producers received $300 million in transitional assistance through the Alberta Farm Recovery Program (AFRP), paid to producers in two installments. The AFRP II provided livestock producers with some immediate assistance to help them deal with economic challenges, as the industry works towards a profitable future.

Trade issues were also a key focus for our ministry this year. In October 2008, our mission to Asia resulted in an agreement, in principle, for the sale of Canadian beef to Hong Kong. This agreement was a result of a strong working relationship with the federal government.

Additionally, we worked to strengthen our agricultural trade relations and interests with the U.S. and Mexico at the Tri-National Agricultural Accord. In January 2009, Alberta's agriculture and agri-food industry and key agricultural trade issues were highlighted at the Legislative Agriculture Chairs Summit. Together with the Province of Saskatchewan, we continued our efforts to urge the federal government and their provincial counterparts to support a World Trade Organization position that advances market access for the entire Canadian agriculture and agri-food industry.

Our efforts to advance Alberta's rural communities continued. In November 2008, we announced two new grants through the Government of Canada's $1 billion Community Development Trust Fund. The Rural Connections: Community Broadband Infrastructure Pilot Program consists of $9 million in new funding to targeted rural communities for projects that enable access to reasonable high-speed broadband service. The Rural Community Adaptation Grant Program consists of $15 million in new funding to increase the capacity of rural communities and regions to transition and adapt, resulting in greater resilience and new, more diverse economic opportunities.

Farm safety has always been important to the Ministry. This year, the Safety Smarts program, which offers age-appropriate, hands-on safety lessons to students from kindergarten to Grade 6, went Alberta-wide. This expansion to the farm safety program makes Alberta the first province to offer province-wide rural safety training for children. With the help of a three-year, $360,000 grant from Alberta Agriculture and Rural Development, four new Safety Smarts instructors were hired to allow us to reach more children in the province.

The Ministry of Agriculture and Rural Development has accomplished a great deal in a short period of time, thanks in large part to our dedicated staff who worked hard to ensure the success of our initiatives. I would like to thank our staff, our partners and our stakeholders for their ongoing efforts and continued commitment to Alberta's agriculture industry and the development of our rural communities.

Sincerely,

[original signed by]

George Groeneveld
Minister, Agriculture and Rural Development

Management's Responsibility for Reporting

The Ministry of Agriculture and Rural Development includes:

- *Department of Agriculture and Rural Development*
- *Agriculture Financial Services Corporation*
- *Alberta Grain Commission*
- *The Office of the Farmers' Advocate*
- *Irrigation Council*
- *Agricultural Products Marketing Council*
- *Alberta Livestock and Meat Agency Ltd.*

The executives of the individual entities within the Ministry have the primary responsibility and accountability for the respective entities. Collectively, the executives ensure the Ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and business plans, annual report, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the Ministry rests with the Minister of Agriculture and Rural Development. Under the direction of the Minister, I oversee the preparation of the Ministry's annual report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgments. The consolidated financial statements are prepared in accordance with the Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The performance measures are prepared in accordance with the following criteria:

- Reliability — Information agrees with the underlying data and with the sources used to prepare it.
- Understandability and Comparability — Actual results are presented clearly and consistently with the stated methodology and presented on the same basis as targets and prior years' information.
- Completeness — Performance measures and targets match those included in Budget 2008. Actual results are prepared for all measures.

As Deputy Minister, in addition to program responsibilities, I establish and maintain the Ministry's financial administration and reporting functions. The Ministry maintains systems of financial management and internal control that give consideration to costs, benefits and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money;
- provide information to manage and report on performance;
- safeguard the assets and properties of the Province under Ministry administration;
- provide Executive Council, Treasury Board, the Minister of Finance and Enterprise and the Minister of Agriculture and Rural Development any information needed to fulfill their responsibilities; and
- facilitate preparation of Ministry business plans and annual reports required under the *Government Accountability Act*.

In fulfilling my responsibilities for the Ministry, I have relied, as necessary, on the executive of the individual entities within the Ministry.

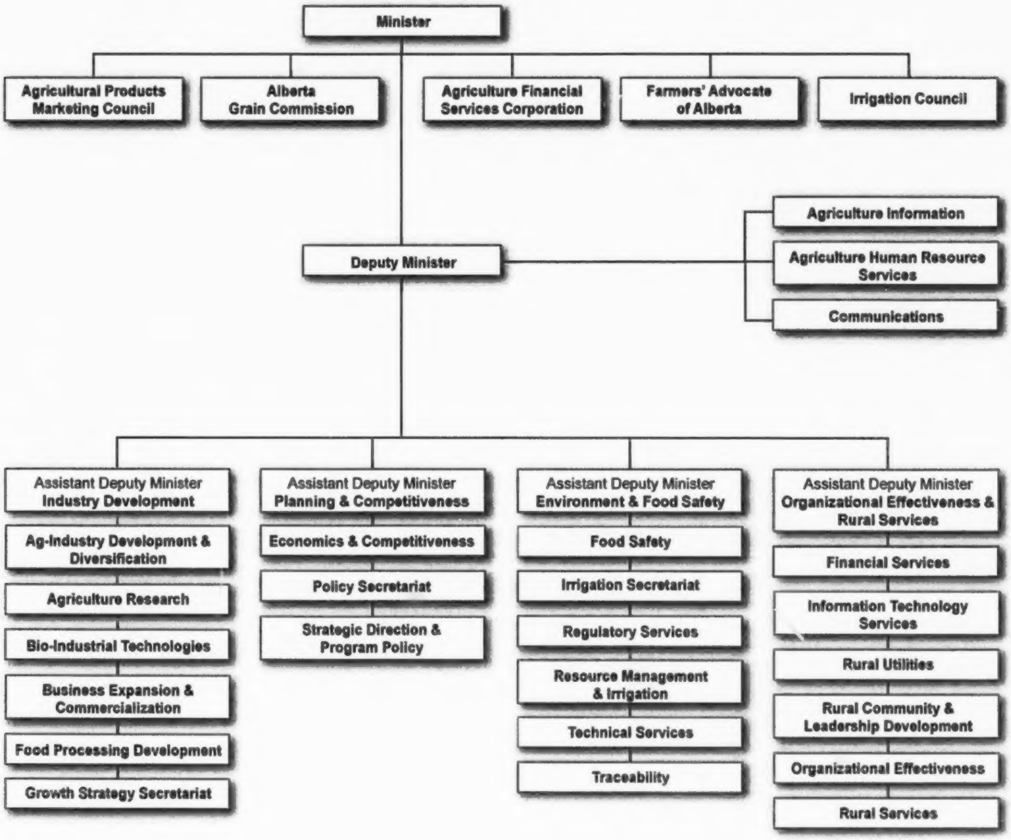
[original signed by]

John Knapp
Deputy Minister
Ministry of Agriculture and Rural Development
September 8, 2009

Overview

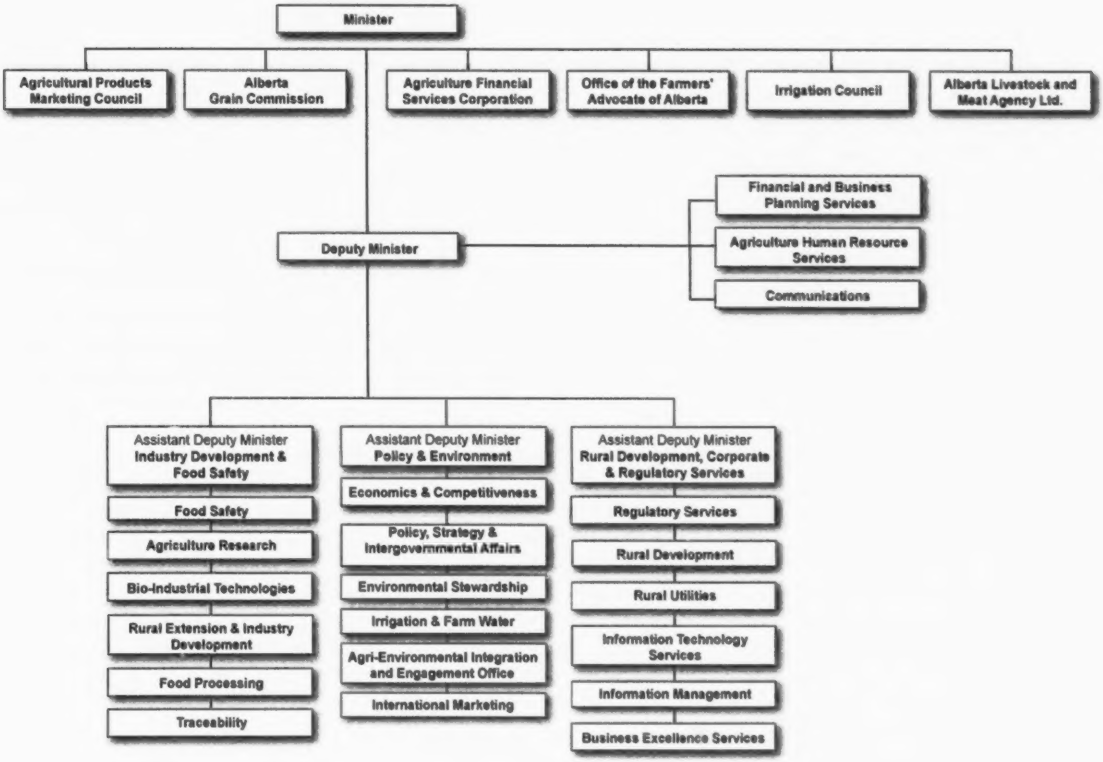
Charts of Ministry Entities

April 1, 2008


Minister
Agricultural Products Marketing Council
Alberta Grain Commission
Agriculture Financial Services Corporation
Farmers' Advocate of Alberta
Irrigation Council
Deputy Minister
Agriculture Information
Agriculture Human Resource Services
Communications
Assistant Deputy Minister Industry Development
Ag-Industry Development & Diversification
Agriculture Research
Bio-Industrial Technologies
Business Expansion & Commercialization
Food Processing Development
Growth Strategy Secretariat
Assistant Deputy Minister Planning & Competitiveness
Economics & Competitiveness
Policy Secretariat
Strategic Direction & Program Policy
Assistant Deputy Minister Environment & Food Safety
Food Safety
Irrigation Secretariat
Regulatory Services
Resource Management & Irrigation
Technical Services
Traceability
Assistant Deputy Minister Organizational Effectiveness & Rural Services
Financial Services
Information Technology Services
Rural Utilities
Rural Community & Leadership Development
Organizational Effectiveness
Rural Services

Charts of Ministry Entities

April 1, 2009


Minister
Agricultural Products Marketing Council
Alberta Grain Commission
Agriculture Financial Services Corporation
Office of the Farmers' Advocate of Alberta
Irrigation Council
Alberta Livestock and Meat Agency Ltd.
Deputy Minister
Financial and Business Planning Services
Agriculture Human Resource Services
Communications
Assistant Deputy Minister Industry Development & Food Safety
Food Safety
Agriculture Research
Bio-Industrial Technologies
Rural Extension & Industry Development
Food Processing
Traceability
Assistant Deputy Minister Policy & Environment
Economics & Competitiveness
Policy, Strategy & Intergovernmental Affairs
Environmental Stewardship
Irrigation & Farm Water
Agri-Environmental Integration and Engagement Office
International Marketing
Assistant Deputy Minister Rural Development, Corporate & Regulatory Services
Regulatory Services
Rural Development
Rural Utilities
Information Technology Services
Information Management
Business Excellence Services

Entities — Ministry of Agriculture and Rural Development

Department

The Ministry is comprised of the Department of Agriculture and Rural Development and a number of agencies, boards and commissions. The Department is responsible for the design of policy options and the management of programs designed to facilitate the development of all components of the agriculture and food industry, to sustain the natural resource base of the industry and to encourage the development of rural communities.

During the 2008 – 2009 fiscal year, the Ministry undertook a program review exercise to ensure its internal structure was equipped to better serve clients and deliver on its mandated priorities. The organizational charts provided on the previous pages show the Ministry structure at the beginning of both the 2008 and 2009 fiscal years. The following descriptions summarize the responsibilities of entities and divisions at the beginning of the 2009 fiscal year. For more information, visit the Ministry web site at **http://www.agriculture.alberta.ca**

Agriculture Human Resource Services

#300, J.G. O'Donoghue Building, 7000 – 113 Street, Edmonton, Alberta T6H 5T6 ■ 780-422-4623

Human Resource Services provides strategic leadership, advice and consultation to senior and line managers in the management of their people. Services provided by the HR Team include: organizational development, organizational design, recruitment and selection, job classification, compensation, employee relations, leadership development, talent management, workplace health, safety and wellness, workforce demographics, performance management, and the collection and analysis of data related to the management of staff. All HR strategies and services support the strategic direction of the Ministry, and the goals and priorities of the organization.

Communications

#100A, J.G. O'Donoghue Building, 7000 – 113 Street, Edmonton, Alberta T6H 5T6 ■ 780-422-7099

The Communications Branch provides communications planning and consulting support to the Minister, Deputy Minister, Department and the Ministry. The branch develops and implements public communications programs that support the Ministry and government-wide business plan goals, and manages media relations, including the province-wide distribution of news releases and the coordination of Ministry announcements and news conferences.

Financial and Business Planning Services

#204 J.G. O'Donoghue Building 7000 – 113 Street, Edmonton, Alberta T6H 5T6 ■ 780-422-5629

Financial and Business Planning Services provides strategic leadership in the areas of financial planning, accounting and reporting as well as financial accountability. The Division provides strategic corporate services focused on business planning, operational planning, performance measurement and performance reporting including the development of quarterly reports and the Ministry's annual report. The Division is also responsible for the development of and reporting requirements for the Deputy Minister's Performance Contract and for contributing to Government of Alberta business plans and reporting documents.

The Division is also responsible for the work of the Ministerial Correspondence Unit (CU).This work involves acting as a champion for the work performed by the CU and managing sensitive issues and concerns arising from correspondence issues.

Rural Development, Corporate and Regulatory Services Sector

Information Technology Services

#202, J.G. O'Donoghue Building, 7000 – 113 Street, Edmonton, Alberta T6H 5T6 ■ 780-422-2101

Information Technology Services works in partnership with program areas to optimize program delivery, contribute to business innovation and increase efficiencies by enabling modern technologies and through information management, as well as information sharing best practices. This work includes offering expertise and advice on the use and development of technology solutions. In addition, the Division provides the secure, robust and reliable technology infrastructure necessary to support the Ministry's requirements for electronic service delivery.

Information Management Services

#100A, J.G. O'Donoghue Building, 7000 – 113 Street, Edmonton, Alberta T6H 5T6 ■ 780-422-2101

Information Management Services provides the public access to information, decision-making tools, services and programs. Information can be accessed through the internet site www.agriculture.alberta.ca and the Call of the Land radio program. The Division is responsible for the planning, development, organization, evaluation and delivery of information services including print and electronic publishing, and multi-media production. The Division is responsible for administering the Department's records management program and has responsibility for ensuring appropriate access to information as identified through the *Freedom of Information and Protection of Privacy Act*. As well, the Division administers the Alberta Century Farm & Ranch Awards, Alberta Agriculture Hall of Fame Awards, Wheat Board Monies Trust and Claude Gallinger Memorial Fund scholarships.

Business Excellence Services

#201, J.G. O'Donoghue Building, 7000 – 113 Street, Edmonton, Alberta T6H 5T6 ■ 780-427-4487

The Business Excellence Services Division delivers business analysis, facilitation and management support services in the areas of business process management, process improvement and project planning and management. The Division is also responsible for delivering facilities management services, legislative planning and coordination services, and provides support to the Department's capital planning process.

Rural Utilities

#200, J.G. O'Donoghue Building, 7000 – 113 Street, Edmonton, Alberta T6H 5T6 ■ 780-427-1930

The Rural Utilities Division administers the Rural Gas, Rural Electric and Remote Area Heating Allowance (RAHA) programs. The Rural Gas and Rural Electric programs are cost-shared programs that help defray the costs of constructing natural gas and electrical systems in rural areas. The RAHA program provides rebates on the cost of propane or fuel oil for individuals who are unable to obtain natural gas service at a reasonable cost.

The Division also administers the *Rural Utilities Act*, which provides the framework for the establishment and management of business affairs for approximately 280 rural gas, electric and water associations in the province. Additionally, the Division administers the *Gas Distribution Act*, which governs the establishment of franchise areas and standards setting relating to the design, construction, operation, maintenance, quality assurance and plant recordkeeping for rural gas utilities.

Rural Development

#106, J.G. O'Donoghue Building, 7000 – 113 Street, Edmonton, Alberta T6H 5T6 ■ 780-427-2409

The Rural Development Division supports the implementation of Alberta's Rural Development Strategy by advancing rural policy, leading cross-government collaboration on rural issues and working closely with Rural Alberta's Development Fund to assist community-focused projects. In addition, the Division provides leadership to strategic rural initiatives and conducts research in partnership with rural organizations and stakeholders.

Regulatory Services

2nd Floor, Agronomy Centre, 6903 – 116 Street, Edmonton, Alberta T6H 5Z2 ■ 780-422-7197

The Regulatory Services Division is responsible for validating the safe production of meat and meat products through provincially-licensed meat facilities, as well as ensuring compliance with assigned legislation. The Division is responsible for administering and providing support to 14 different statutes and 23 sets of regulations as well as for maintaining and enhancing public confidence by ensuring consistency and co-ordination through investigation and enforcement activities as required.

Policy and Environment Sector

Economics and Competitiveness

#303, J.G. O'Donoghue Building, 7000 – 113 Street, Edmonton, Alberta T6H 5T6 ■ 780-422-3771

The Economics and Competitiveness Division is a source of economic, competitiveness, market and statistical research dealing with strategic issues affecting Alberta's agriculture and agri-food industry. This research includes applied economic and competitiveness analysis, benchmarking, statistical information, consumer behavior and emerging industry trends. The Division adds value to information relating to the value chain from production to consumption.

Policy, Strategy and Intergovernmental Affairs

#200, J.G. O'Donoghue Building, 7000 – 113 Street, Edmonton, Alberta T6H 5T6 ■ 780-422-9167

The Policy, Strategy and Intergovernmental Affairs Division provides Departmental leadership in developing, policy and advocacy. The Division facilitates and coordinates Agriculture and Rural Development's foresight strategy and strategic planning process, policy development and coordination through a policy framework, and advocacy through domestic and international trade missions and negotiations. In addition, the Division manages specific cross organizational/ministry policy files, such as the Land Use Framework, implements the Growing Forward bilateral agreement and ensures that program design and delivery conform to policy direction.

Irrigation and Farm Water

Agriculture Centre, 5401 – 1 Avenue South, Lethbridge, Alberta, T1J 4V6 ■ 403-381-5140

The Irrigation and Farm Water Division facilitates the development of a competitive, environmentally-sustainable agriculture industry by ensuring that good quality surface and ground water supplies meet current and future agriculture needs, management practices meet acceptable water quality guidelines and management systems assist livestock and crop producers deal with excess rainfall and drought conditions.

Environmental Stewardship

#306, J.G. O'Donoghue Building, 7000 – 113 Street, Edmonton, Alberta T6H 5T6 ■ 780-427-0674

The Environmental Stewardship Division fosters a competitive capacity through environmental stewardship. The Division delivers, in partnership with industry, the business models, systems, science, information and measures that enable industry to take actions leading to environmental opportunities that are outcome-focused, reportable and verifiable.

Agri-Environmental Integration and Engagement Office

#206, J.G. O'Donoghue Building, 7000 – 113 Street, Edmonton, Alberta T6H 5T6 ■ 780-415-1771

The Agri-Environmental Integration and Engagement Office focuses on engaging industry stakeholders, partnerships and networks to cooperatively resolve priority issues, establish and deliver environmental outcomes and work collaboratively to build industry capacity. The Office works closely with a number of key organizations including the Agri-Environmental Partnership of Alberta, the Alberta Livestock and Meat Agency Ltd. and the Institute for Agriculture, Forestry and the Environment.

The Office develops engaged, multi-stakeholder processes to support effective policy analysis and development, and to coordinate representation and input to cross Government of Alberta policy processes.

International Marketing[1]

#300, J.G. O'Donoghue Building, 7000 – 113 Street, Edmonton, Alberta T6H 5T6 ■ 780-422-7093

The International Marketing Division works with industry clients and stakeholders to support targeted export growth for Alberta agriculture products and services. The Division facilitates this mandate through the provision of relevant market information, opportunity identification, networking and positioning Alberta as a preferred supplier. Initiatives include incoming and outgoing missions, trade show presence, buyer/supplier matchmaking, market presentations and seminars. The Division works closely with multi-level governments (civic, provincial, federal, foreign governments) and key organizations such as the Alberta Livestock and Meat Agency Ltd. to effectively promote Alberta's export capabilities.

---

[1] Responsibility for the International Marketing Division was transferred to Agriculture and Rural Development from International and Intergovernmental Relations as of April 1, 2009.

Industry Development and Food Safety Sector

Agriculture Research

#307, J.G. O'Donoghue Building, 7000 – 113 Street, Edmonton, Alberta T6H 5T6 ■ 780-427-5341

As a critical link in numerous value chains, the Agriculture Research Division enables Alberta's primary agricultural industry to meet the needs of its customers and their markets. The Division applies its research expertise to develop new information in a multi-disciplinary project team approach focused on opportunities and challenges facing the livestock, livestock feed, food and bio-industrial crops industries. Research activities are directed at enhancing industry competitiveness through improvement in production efficiency and/or increased value of products. The administration of crop pest and apiculture-related legislation and regulations as well as the development and extension of effective crop pest management and control strategies also contribute to industry success.

Food Processing

6309 – 45 Street, Leduc, Alberta T9E 7C5 ■ 780-986-4793

The Food Processing Division focuses on the value-added processing of agriculture commodities through laboratory development, applied research and pilot plant scale-up to develop new products, introducing new technologies and improving existing processes. The Division also has a strong focus on the development of new companies and the attraction of new food processors to Alberta. Programming is delivered through four units: the Food Processing Development Centre, the Food Science and Technology Centre, the Consumer Products Testing Centre and the Agrivalue Processing Business Incubator.

Food Safety

#905, O.S. Longman Building, 6909 – 116 Street, Edmonton, Alberta T6H 4P2 ■ 780-427-6159

The Food Safety Division focuses on safe food production systems and animal health programs that protect public health and support market access for Alberta's agriculture and food industry. The Division facilitates the adoption of internationally-accepted food safety systems and standards in food production and processing, maintains a surveillance system that validates and continually improves food safety and animal health, minimizes the impact of animal diseases on public health, provides essential non-routine animal disease investigation services and plans for and responds to food safety and animal health emergencies.

Rural Extension and Industry Development

Room 106, Provincial Building, 4709 – 44 Avenue, Stony Plain, AB T7Z 1N4 ■ 780-427-2409

The Rural Extension and Industry Development Division delivers business development services to agriculture businesses, food processors and organizations. Business development activities focus on improving the competitiveness and profitability of industry clients. The Division assures the effective delivery of agriculture educational training, leadership and grant programs, as well as front-line client contact services for industry clients through the Ag-Info Centre and Field Offices. The Division also manages the 4-H, Farm Safety, Green Certificate, Farmers Market and Agriculture Service Board programs.

Traceability

#308, J.G. O'Donoghue Building, 7000 – 113 Street, Edmonton, Alberta T6H 5T6 ■ 780-422-2546

The Traceability Division provides policy advice on matters relating to Alberta and national traceability initiatives and issues. The Division advises the Minister on matters that relate to building and implementing Alberta's initiatives for traceability, and fostering industry acceptance and implementation of traceability systems within their respective sectors. Responsibilities include undertaking the necessary projects to understand and demonstrate the value of traceability to Alberta's agriculture and agri-food industry, linking traceability systems to the national and provincial emergency response systems, and partnering to create infrastructure to enhance business and market opportunities (i.e., reduce costs, increase value-added opportunities, improve logistics/transportation, encourage adoption of new technologies and simplify processes).

The Division also assists Alberta's agriculture and agri-food sectors to implement traceability systems to meet their needs while ensuring they are fully integrated within the national system; identifies and employs legislation, regulation and policy frameworks to mitigate risk and support traceability systems; and builds the capacity, resources and communication plans that support the implementation of an integrated and coordinated change management program to ensure the short and long-term success of the traceability strategic plan.

Bio-Industrial Technologies

Agri-Food Discovery Place, F-83, 6004 – 118 Street, Edmonton, AB T6H 2V8 ■ 780-644-8124

The Bio-Industrial Technologies Division is unique in the Ministry as it provides both business and technical expertise. The Division supports primary producers, industry associations and companies through the provision of specialized information, knowledge and expertise, which supports the commercialization of bio-based industries in Alberta.

The Division assists with business development and investment opportunities for new and existing companies, evaluates new technologies, provides engineering consultation, conducts product and process development activities through scale-up and supports technology transfer and extension.

Agencies, Boards and Commissions

Agriculture Financial Services Corporation (AFSC)

Lacombe Central Office, 5718 – 56 Avenue, Lacombe, Alberta T4L 1B1 ■ 403-782-8200
Camrose Central Office, 4910 – 52 Street, Camrose, Alberta T4V 4E8 ■ 780-679-1311

AFSC provides a wide variety of risk management products and financial services to fit the business needs of farmers, the agriculture industry and small agri-businesses in Alberta. It offers unique financial products and services not readily available from conventional sources to the industry. AFSC has two broad business lines: Lending and Business Risk Management Services.

AFSC Lending offers loans for farms, disaster assistance, commercial operations, agri-businesses and value-added enterprises as well as loan guarantees and capital sourcing services. These products and services are offered in all lending offices across the province. AFSC lending programs offer long-term, fixed rate loans with flexible terms and reasonable conditions that help provide stability for farm and business planning and managing future cash flows in industries where income and expenses can be volatile.

Business Risk Management includes insurance products to mitigate risks related to crop production, including hay and pasture. Waterfowl and wildlife damage compensation is also offered to help Alberta farmers protect against production losses on their farms. Additionally, AFSC also delivers AgriStability, a Federal-provincial, whole-farm program that provides compensation for a decline in farm margins relative to historical margins for eligible producers, regardless of the commodities produced. AFSC produces a separate annual report which is available electronically through the AFSC website: www.AFSC.ca.

Agricultural Products Marketing Council

#305, J.G. O'Donoghue Building, 7000 – 113 Street, Edmonton, Alberta T6H 5T6 ■ 780-427-2164

The Agricultural Products Marketing Council advises the Minister on matters related to the establishment, operation and management of the boards and commissions established under the *Marketing of Agricultural Products Act.* The Council provides assistance and advice to boards and commissions on board governance, leadership development and strategic and business planning. The Council facilitates industry-oriented development through legislation and encourages engagement in research and value-added opportunities and enhanced value chain relationships.

Alberta Grain Commission

#305, J.G. O'Donoghue Building, 7000 – 113 Street, Edmonton, Alberta T6H 5T6 ■ 780-427-7329

The Alberta Grain Commission advises the Minister on issues and trends in the grain industry, conducts ongoing examination of all facets of the industry and provides an information service which includes daily grain price information.

Office of the Farmers' Advocate of Alberta

#305, J.G. O'Donoghue Building, 7000 – 113 Street, Edmonton, Alberta T6H 5T6 ■ 310-FARM (3276)

The Office of the Farmers' Advocate provides the Minister with information on issues concerning rural Albertans. The office works closely with agricultural interest groups, Alberta Environment, Alberta Energy, Alberta Sustainable Resource Development (SRD), and other levels of government to formulate policy recommendations and procedures that affect the rural community. The office works with surface rights groups and landowners on surface lease and freehold mineral lease issues; provides dispute resolution services, advice and information to individual farmers or agricultural associations on issues that affect rural Albertans; and is also responsible for the contract for the AFSC/SRD Hail and Crop, Grazing Disposition and Agricultural Development Committee reviews.

The office is also responsible for administering the *Farm Implement Act*, *Farm Implement Dealerships Act*, Water Well Restoration or Replacement Program, Wild Fire Cost Assessment Review and Part 1 of the *Agricultural Operation Practices Act*.

Irrigation Council

#328, Provincial Building, 200 – 5 Avenue South, Lethbridge, Alberta T1J 4L1 ■ 403-381-5176

The Irrigation Council, established under the *Irrigation Districts Act,* makes recommendations to the Minister on any matter under the Act, particularly issues related to maintaining a strong, efficient and sustainable irrigation industry. The Council acts as an appeal body in accordance with the Act and establishes policies and approves annual rolling three-year plans and projects submitted by the irrigation districts to ensure accountability of the public's ongoing cost-shared investment in irrigation district water conveyance infrastructure.

Alberta Livestock and Meat Agency Ltd.

1003 Ellwood Road SW, Edmonton, Alberta T6X 0B3 ■ 780-643-1021

The Alberta Livestock and Meat Agency Ltd. acts as a catalyst for the livestock and meat industry in Alberta to help achieve a competitive, profitable and sustainable future. Achieving this goal will take all of industry members working together, under this shared vision. The Agency's board consists of highly qualified individuals appointed to help direct funds, resources and programs towards the re-building of Alberta's livestock industry. Five Advisory Committees represent all sectors, to provide input and guidance to the work of the Agency. Roles include providing advice to the Minister on issues related to livestock, meat and value-added processes and coordinating strategic planning with industry and helping to ensure alignment of government and industry funding with strategic priorities.

The Agency provides programs and funding in support of market development and diversification; production system enhancement; innovation programs; certification programs; product development and research and development programs; and, transition and change programs. As a catalyst for relationship development among stakeholders, the Agency facilitates the development of livestock and meat information exchange systems.

Operational Overview

Ministry's Core Businesses

The Ministry contributes to two of the government's ten goals and to three of the five government priorities. The Ministry works with industry and stakeholders to manage growth pressures, build a stronger Alberta and improve Albertans' quality of life. The primary focus of Agriculture and Rural Development is on Government of Alberta goal 1: Alberta will have a prosperous economy. The Ministry achieves this objective by working with others to promote prosperity for Alberta through a strong, competitive, sustainable agriculture and food industry and vibrant rural communities.

Ministry Core Businesses

- Facilitate sustainable industry growth
- Building capacity and managing risk

Each of the Ministry goals contributes to the achievement of these core businesses. The results constitute the role of Alberta Agriculture and Rural Development in contributing to the Government of Alberta's core performance measures. The Results Analysis section of this annual report presents a comprehensive discussion of the Ministry goals, performance measures and results of operations for the fiscal year 2008 – 2009.

Costs for Core Business

(unaudited)

(thousands of dollars)

Core Businesses	2008 – 2009 Estimates	2008 – 2009 Actual	2007 – 2008 Actual
Facilitate sustainable industry growth	$ 256,654	$ 237,562	$ 247,126
Building capacity and managing risk	806,428	1,136,798	589,735
Ministry Expense	**$ 1,063,082**	**$ 1,374,360**	**$ 836,861**

Expense by Function

All Ministry expenses with the exception of debt servicing costs, are reported under the Government of Alberta function: Agriculture, Resource Management and Economic Development.

Overall Ministry Operations and Services

(unaudited)

(thousands of dollars)

	2008 – 2009 Budget	2008 – 2009 Actual	2007 – 2008 Actual
Revenues	$ 657,399	$ 653,588	$ 428,468
Expenses	1,063,082	1,374,360	836,861
Gain (Loss) on disposal of assets	–	(41)	(195)
Excess of expenses over revenues	**$ 405,683**	**$ 720,813**	**$ 408,588**

AUDITOR
GENERAL
Alberta

Review Engagement Report

To the Members of the Legislative Assembly

I have reviewed the performance measures identified as "Reviewed by Auditor General" included in the Ministry of Agriculture and Rural Development's *2008-09 Annual Report*. These performance measures are prepared based on the following criteria:

- Reliability – Information agrees with the underlying data and with sources used to prepare it.
- Understandability and Comparability – Actual results are presented clearly and consistently with the stated methodology and presented on the same basis as targets and prior years' information.
- Completeness – performance measures and targets match those included in Budget 2008. Actual results are presented for all measures.

My review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of enquiry, analytical procedures and discussion related to information supplied to me by the Ministry. My review was not designed to provide assurance on the relevance of these performance measures.

A review does not constitute an audit and, consequently, I do not express an audit opinion on these performance measures.

Based on my review, nothing has come to my attention that causes me to believe that the "Reviewed by Auditor General" performance measures in the Ministry's *2008-09 Annual Report* are not, in all material respects, presented in accordance with the criteria of reliability, understandability, comparability, and completeness as described above. However, my review was not designed to provide assurance on the relevance of these performance measures.

[original signed by Fred J. Dunn]
FCA
Auditor General

Edmonton, Alberta
September 3, 2009

Message from the Deputy Minister

During 2008 – 2009, the Department focused on getting back to basics and building relationships. We strengthened our connections with rural Alberta by appointing a key contact for the 69 Agriculture Service Boards across the province, doubling on-farm water specialists and opening 13 Field Offices located throughout the province to deliver enhanced services with a focus on the business of agriculture. We also developed our first 10-year strategic plan to provide both staff and industry a clearer vision of our destination. And as the lead Ministry for the implementation of Alberta's Rural Development Strategy we developed broadband and rural development programs to take advantage of federal funding. The Department also supported best practices regarding the diversification of rural and regional economies and to improve the overall socio-economic health and sustainability of rural communities.

The Minister also signed the Bilateral Agreement to Implement *Growing Forward:* A Federal-Provincial-Territorial Framework Agreement on Agriculture, Agri-Food and Agri-Based Products Policy. *Growing Forward* is new commitment from Canada's Federal, Provincial and Territorial Ministers of Agriculture to develop an Agricultural Policy Framework that better positions the agriculture industry for success.

The Ministry will continue to work collectively with industry and rural Alberta to advance the agriculture industry and strengthen our rural communities. While we have further challenges ahead of us, I am confident with the always strong commitment of our staff that we will rise to these challenges and contribute to building a stronger Alberta.

Sincerely,

[original signed by]

John Knapp
Deputy Minister, Agriculture and Rural Development

Results Analysis

Results of Operations

The Ministry's financial results show consolidated revenues of $653.6 million in 2008 – 2009, which is a $225.1 million increase in revenues from 2007 – 2008 and $3.8 million lower than budget. Consolidated expenses were $1.374 billion. This figure is $537.5 million higher than in 2007 – 2008 and $311.3 million higher than budget. The net operating deficit was an excess of expenses over revenues of $720.8 million.

Revenues Compared to Budget

Ministry revenues were $653.6 million, down $3.8 million from budget. Revenue highlights compared to budget are as follows:

- Transfers from the Government of Canada decreased $48.5 million from a change in accounting methodology for the AgriInvest program.
- Premiums from insured persons were $38.7 million higher than budget due to an increase in participation for both the hail and production insurance programs. Hail insurance experienced a record number of applications processed in 2008. The increased production insurance premiums are a result of higher participation levels and commodity prices.
- Fees, permits, licenses and other income was $12.8 million higher than budget resulting from private reinsurance recoveries due to the significant losses under the hail insurance program.
- Interest and investment income was $6.8 million lower than budget due to lower than anticipated volumes of lending combined with lower interest rates than budgeted and increased repayments on existing loans.

Revenues Compared to 2007 – 2008

Revenues increased by $225.1 million, or 52.5 per cent, from 2007 - 2008. Revenue was higher than the previous year mainly because of increased federal contributions for the AgriStability program resulting from the 2007 – 2008 reduction of amounts previously accounted for in prior fiscal years. Higher participation in production insurance and higher commodity prices also contributed to the increase in federal revenue.

Another contributing factor to the higher revenues from 2007 – 2008 was a significant increase in premium revenues collected by AFSC for both production and hail insurance of $63.4 million. The increased production insurance premiums are a result of higher participation levels and commodity prices compared to the previous year. Hail insurance experienced a record number of claim applications processed in 2008.

Expenses Compared to Budget

Expenses were $311.3 million higher than budget primarily as a result of the second phase of the Alberta Farm Recovery Plan (AFRP II). AFRP II provided $300 million in economic disaster support to help transition the livestock industry towards more competitive production and marketing, as part of the Alberta Livestock and Meat Strategy (ALMS).

- Agriculture Income Support payments were $319.1 million higher than budget. In addition to the $300 million AFRP II program administered as part of ALMS, an additional $99 million was provided for higher than anticipated producer claims under Phase 1 of the Alberta Farm Recovery Plan (AFRP I). The increased costs for AFRP I were largely offset by a reduction in AgriStability program payments and a change in the delivery of the AgriInvest program by the federal government. AFRP I was introduced in October 2007 as a financial assistance program to assist livestock farmers with rising fuel, feed and fertilizer costs. AFRP II was introduced in June 2008 as part of the provincial government's long-term strategy and investment to stabilize and strengthen Alberta's livestock industry.
- Infrastructure Assistance was $9.1 million lower than budget, due to lower expenditures for irrigation infrastructure and municipal wastewater grants. The change to irrigation grant funding was a shift between fiscal years to accommodate the extension of Specified Risk Material (SRM) Disposal funding to the next fiscal year. Due to the lack of municipal wastewater projects, this funding was redirected to ALMS.
- Insurance expenses were $6.3 million higher than budget. Hail insurance indemnities reached record levels in 2008, almost $74 million. Payments were $55 million higher than budgeted as a result of severe hail damage throughout the province. Partially offsetting these overexpenditures were lower production insurance indemnity payments resulting from the favourable crop conditions.
- Environment and Food Safety expenses were $4.2 million lower than budget primarily resulting from lower than anticipated costs for various programs, including BSE Surveillance, Food Chain Traceability and Agricultural Stewardship.
- Expenses for the Farm Fuel Distribution Allowance were $4.1 million lower than budget due to lower volumes than anticipated.
- Valuation adjustments were $4.3 million under budget primarily from AFSC's insurance and lending programs.
- Debt servicing costs were $4 million higher than budget resulting from debt restructuring charges.
- ALMS expenses of $2.6 million were not included in the budget. The Alberta Livestock and Meat Agency Ltd. (ALMA) was incorporated on January 29, 2009. ALMA will help industry become sustainable, profitable and internationally competitive by focusing on marketing, research and production.

Expenses Compared to 2007 – 2008

Expenses were $537.5 million higher than the previous year. Spending highlights for 2008 – 2009 compared to 2007 – 2008 are as follows:

- Agriculture Income Support payments were $497.2 million higher than in 2007 – 2008 due to the increased expenses for AFRP I and AFRP II as noted previously. The 2008 – 2009 expenses were also higher due to reductions in prior years' Canadian Agricultural Income Stabilization program payments in 2007 – 2008.
- Insurance expenses were $53 million higher than those in 2007 – 2008. Indemnity payments for both the hail insurance and production insurance programs exceeded payments in the previous year. Damage from hail losses reached record levels in 2008.
- Industry Development expenses were $19.4 million lower than 2007 – 2008. Additional funding was provided from the federal government in 2007 – 2008, under the Agricultural Policy Framework (APF), to support science and innovation projects in the agricultural sector.
- Infrastructure Assistance program expenses were $8.3 million higher than 2007 – 2008. Irrigation infrastructure grants were higher than the previous year resulting from additional funding for capital maintenance renewal. In addition, the increase in spending also reflects higher capital costs for gas and electric services infrastructure.
- Debt servicing costs were $10.9 million higher than the previous year due to increased lending activity and early repayment premiums incurred on debt restructuring.
- Valuation adjustments were $7.5 million lower than the previous year primarily due to a reduction in loss provisions in both the Department and AFSC.
- Environment and Food Safety expenses were $5.4 million lower than 2007 – 2008 primarily due to reduced spending requirements for the SRM Disposal program.
- The Alberta Livestock and Meat Strategy was introduced in June 2008, incurring expenses of $2.6 million. As noted above, the Alberta Livestock and Meat Agency Ltd. was incorporated on January 29, 2009.

Performance Measures Summary and Analysis

This section provides progress made on the 13 performance measures, including 16 forecasted targets, established in the 2008 – 2011 Agriculture and Rural Development Business Plan.

Performance measurement is an evolutionary process, and the Ministry continues to evaluate the relevance and appropriateness of the current performance measures and related forecasted targets. The annual evaluation of performance measures ensures that the Ministry is positioned to objectively measure and report on its progress and to learn and adapt programs and services to meet the evolving needs of stakeholders. The forecasted targets for these performance measures, established at the time the business plan was written, are continuously monitored and where appropriate, adjusted to reflect Ministry priorities, historical performance and external factors.

A detailed analysis of the performance measures, including major activities undertaken to influence results, are presented under the following sections: Core Businesses, Goals and Measures and Performance Measures Methodology.

Highlighted below are the performance measures as presented in the 2008 – 2011 Agriculture and Rural Development Business Plan, including the achievement of forecasted targets and the most current result(s). A summary result of the performance measures under each goal precedes a brief description and analysis of each performance measure.

Four symbols are used to indicate the direction of the Ministry's accomplishment with respect to whether or not related forecasted targets were achieved: met target (≈), target exceeded (↑), target not met (↓) and comparable target not readily available (§). This is followed by a brief description of each performance measure and a discussion of results including an explanation for significant variances between actual results and forecasted targets.

In prior years, the Office of the Auditor General applied specified procedures to all Ministry performance measures included in the annual report. In the current 2008 – 2009 annual report, the auditor conducted a limited assurance engagement (review) of a selection of performance measures that are identified in the annual reports as "Reviewed by Auditor General". The measures were selected for review by Ministry management based on the following criteria established by government.

- Enduring measures that best represent the goal and mandated initiatives.
- Measures have well established methodology and reporting of data.
- Measures have outcomes over which the government has a greater degree of influence.
- Each goal has at least one audited performance measure.

Core Business One: Facilitate Sustainable Industry Growth

GOAL 1

SUSTAINABLE GROWTH OF THE FOOD AND NON-FOOD AGRICULTURE INDUSTRY

The Ministry contributes to this goal by working with industry to assess, identify and take advantage of consumer market-driven opportunities, including diversified product development, investment and facilitating long-term sustainable growth in the agriculture industry.

Selected performance measures for this goal assess areas where the Ministry made significant contributions in terms of resources and has some influence over growth of the industry.

Goal 1 — Performance Measures Results at a Glance

MEASURE CODE	PERFORMANCE MEASURE — GOAL #1	RESULT FOR 2008 – 2009
1.a	Number of value-added products developed and successfully introduced to market with assistance from Agriculture and Rural Development.	↓
1.b	Research and development investment by collaborators leveraged through Ministry resources ($ million).	↑
1.c	Total leveraged investment in agri-industry businesses (farm business and agri-business) facilitated by Agriculture Financial Services Corporation lending services ($ million).	↓

Reviewed by Auditor General

Results and Analysis of Performance Measures under Goal 1

Description — 1.a: Number of value-added products developed and successfully introduced to market with assistance from Agriculture and Rural Development.

Performance Measure 1.a tracks the number of value-added products developed and successfully introduced to market with technical support from Ministry staff. The measure highlights the contribution and support the Ministry makes to the growth of Alberta's value-added industry.

The Department influences the development of value-added products through the provision of technical expertise and fully serviced processing facilities dedicated to assisting food processors. The dedicated assistance provided by the Ministry contributes to the commercialization of food products and technologies leading to the successful establishment of Alberta-based value-added processing facilities.

GOAL 1 PERFORMANCE MEASURE (1.A)	2007 – 2008 RESULT	2008 – 2009 TARGET	2008 – 2009 RESULT	2009 – 2010 TARGET
1.a Number of value-added products developed and successfully introduced to market with assistance from Agriculture and Rural Development.	69	90	66	105*

* The target of 105 has been revised in the Ministry's 2009-12 Business Plan to 70 to reflect a more reasonable target.

Discussion of Results — 1.a

The 2008 – 2009 result of 66 is approximately 27 per cent below the forecasted target of 90, and 4 per cent below the actual result for the prior fiscal year. Results for this measure have been trending downwards for the past three years, albeit the actual result is a little below the average annual number of value-added products successively introduced to the marketplace in the prior three years. Some of the external factors that could have contributed to the lower result include the downturn in the global economy resulting in processors cutting back on the development of new products and reformulating existing products.

Description — 1.b: Research and development investment by collaborators leveraged through Ministry resources ($ million).

This measure tracks the amount of funds leveraged from outside sources through Ministry investment in research and development (R&D) in four priority areas: value-added processing, livestock development, crop diversification and environmental stewardship. Outside sources include industry organizations, private companies, universities, government departments and agencies.

The measure provides an indication of the Ministry's success in building partnerships with respect to expanding the pool of scientific talents devoted to research, and in addressing scientific issues of high priority to the industry.

Reviewed by Auditor General

GOAL 1 PERFORMANCE MEASURE (1.B)	2007 – 2008 RESULT	2008 – 2009 TARGET	2008 – 2009 RESULT	2009 – 2010 TARGET
1.b Research and development investment by collaborators leveraged through Ministry resources ($ million).	6.9	5	6.2	6

Discussion of Results — 1.b

The Department's target of $5 million in leveraged funding from outside sources for investment in research and development was met. The actual result of $6.2 million is 24 per cent over the forecasted target.

The result demonstrates the Ministry's commitment to the research and development of new products and processes in an ever changing marketplace.

Description — 1.c: Total leveraged investment in agri-industry businesses (farm business and agri-business) facilitated by Agriculture Financial Services Corporation lending services ($ million).

This measure reports the total dollar investment in farm business and agri-business in both rural and urban areas as a result of Agriculture Financial Services Corporation's (AFSC) involvement in the facilitation of capital investment in agri-business and farm business through its lending products, services and partnerships. Total dollar investment in agri-business and farm loans is a proxy value for investment based on loans approved. Dollar investment is any fund (i.e., debt, equity, investment) that would be used to support the growth of value-added processing in agriculture.

Reviewed by Auditor General

GOAL 1 PERFORMANCE MEASURE (1.C)	2007 – 2008 RESULT	2008 – 2009 TARGET	2008 – 2009 RESULT	2009 – 2010 TARGET
1.c Total leveraged investment in agri-industry businesses (farm business and agri-business) facilitated by Agricultural Financial Services Corporation Services lending services ($ million).*	318	323	293	333

*Values reported for investments are a proxy measure based on loans approved. Not all approved loans are disbursed, and in some cases, there may be timing differences between approval and disbursements of loans.

Discussion of Results — 1.c

The forecasted target of $323 million was not met. The actual result of $293 million was below the prior fiscal year's result of $318 million and the average of the two preceding fiscal years' figure of approximately $296 million.

Access to capital is critical in facilitating growth in Alberta's primary agricultural production and value-added products. External factors influencing the result could include the uncertainty in the equity market and the overly optimistic target that was set in 2007 – 2008 for an anticipated robust growth in the bio-industrial industry.

GOAL 2

CONTINUED EXCELLENCE IN FOOD SAFETY

The Ministry contributes to this goal by promoting the implementation of food safety process control systems throughout the food production continuum, through the development and administration of essential food safety legislation, regulations and policy and through food safety surveillance and traceability systems. Robust food safety processes and systems are enabling elements in facilitating market access and ensuring consumer confidence in products produced in Alberta.

The measures for this goal recognize the importance of monitoring the adoption and implementation of food safety process control systems for the agriculture and food industry.

DID YOU KNOW?

Hazard Analysis Critical Control Point (HACCP) is a food safety program recognized internationally as the best system to effectively manage food safety. Rather than relying on end product testing to detect failures, HACCP applies control measures at identified stages of the production process to prevent, reduce or eliminate hazards before they occur.

Goal 2 — Performance Measures Results at a Glance

Reviewed by Auditor General

MEASURE CODE	PERFORMANCE MEASURE — GOAL #2	RESULT FOR 2008 - 2009
2.a	Percentage of Alberta licensed abattoirs that have added a preventative system to their existing food safety system. Red Meat — Meat Facilities Standard	↓
2.b	Number of Alberta food processing facilities participating in the Alberta HACCP Advantage Program (cumulative).	↑

Results and Analysis of Performance Measures under Goal 2

Description — 2.a: Percentage of Alberta licensed abattoirs that have added a preventative system to their existing food safety system

This measure provides evidence of the Ministry's success in encouraging Alberta licensed abattoirs to participate in Alberta Hazard Analysis Critical Control Points (HACCP) Advantage Program-based, preventative food safety systems in their facilities and is an indicator of provincially-licensed abattoirs' commitment to safer production practices.

Reviewed by Auditor General

GOAL 2 PERFORMANCE MEASURE (2.A)	2007 - 2008 RESULT	2008 - 2009 TARGET	2008 - 2009 RESULT	2009 - 2010 TARGET
2.a Percentage of Alberta licensed abattoirs that have added a preventative system to their existing food safety system. Red Meat — Meat Facilities Standard	52%	75%	**74%**	95%

Discussion of Results — 2.a

Seventy-four per cent of Alberta licensed abattoirs were found to have added an additional preventative system to their existing food safety system, one per cent below the forecasted target of 75 per cent.

Benefits accruing to Alberta licensed abattoirs for enhancing food safety systems include protecting Alberta's reputation for producing quality beef and pork value-added products under verifiable food safety standards, upholding consumer confidence in beef and pork products and good production practices.

The collaboration of stakeholders in the beef and pork value chains is essential in encouraging the industry to adopt voluntary and verifiable food safety standards.

Description — 2.b: Number of Alberta food processing facilities participating in the Alberta HACCP Advantage Program (cumulative).

This measure tracks the success of the Ministry in encouraging Alberta food processors to either adopt HACCP-based food safety systems and/or improve existing food safety systems. Financial incentives are provided under the voluntary Alberta HACCP Advantage (AHA) program to help qualified processors implement HACCP systems or components. HACCP systems provide a systematic and preventative approach for the identification and control of food safety hazards.

Reviewed by Auditor General

GOAL 2 PERFORMANCE MEASURE (2.B)		2007 – 2008 RESULT	2008 – 2009 TARGET	2008 – 2009 RESULT	2009 – 2010 TARGET
2.b	Number of Alberta food processing facilities participating in the Alberta Hazard Analysis Critical Control Points (HACCP) Advantage Program (cumulative).	148	90	**200**	120

Discussion of Results — 2.b

The cumulative result of 200 exceeded the cumulative forecasted target of 90 by 122 per cent. The result from 2007 – 2008 exceeded the forecasted target for 2008 – 2009 by over 60 per cent primarily due to the fact that forecasted targets were conservative due to the uncertainty surrounding processor participation in a voluntary Alberta HACCP Advantage (AHA) program. The targets for 2009 – 2010 and 2010 – 2011 have since been revised from 120 and 140 to 225 and 230, respectively, in the 2009 – 2012 Agriculture and Rural Development Business Plan.

This program contributes to continued excellence in food safety, as food safety measures at the processing level are a key component of the food safety continuum.

GOAL 3

THE AGRICULTURE INDUSTRY'S COMPETITIVE CAPACITY IS ADVANCED THROUGH STEWARDSHIP INITIATIVES AND SYSTEMS

The Ministry contributes to this goal through essential policy, legislation, information and services related to soil conservation, water quality, air quality, climate change and biodiversity. The Ministry engages industry to develop innovative options and solutions to enhance the competitive capacity of the industry while addressing public expectations around the environment.

The measures for this goal relate to the Ministry's work in providing customized information, financial incentives, training and support to industry related to environmentally sustainable agriculture practices.

Goal 3 — Performance Measures Results at a Glance

Reviewed by Auditor General

MEASURE CODE	PERFORMANCE MEASURE — GOAL #3	RESULT FOR 2008 – 2009
3.a	Percentage of producer survey respondents who have adopted improved environmentally sustainable agriculture practices.	≈
3.b	Number of producers provided with specific training and technical support to enable the development of environmental farm plans.	↑

Results and Analysis of Performance Measures under Goal 3

Description — 3.a: Percentage of producer survey respondents who have adopted improved environmentally sustainable agriculture practices.

This measure tracks success in addressing a broad range of environmental issues relating to soil conservation, water quality, wildlife habitat conservation, manure management and agricultural waste management, as well as planning approaches regarding sustainable agriculture.

Specifically, the measure tracks the level of adoption of beneficial management practices by primary producers to improve environmental stewardship on their farm operations.

Reviewed by Auditor General

GOAL 3 PERFORMANCE MEASURE (3.A)	2007 – 2008 RESULT	2008 – 2009 TARGET	2008 – 2009 RESULT	2009 – 2010 TARGET
3.a Percentage of producer survey respondents who have adopted improved environmentally sustainable agriculture practices.	58%	n/a[1]	n/a[2]	63%[3]

[1] Target for this measure is not applicable for 2008 – 2009 as the survey is completed every third year at the time the target was set. The frequency of reporting has changed to every two years, with the next survey scheduled for reporting in 2009 – 2010 fiscal year.

[2] The most current result available for this Measure is 58%, as published in the 2007-2008 Agriculture and Food Annual Report

[3] The forecasted target for 2009 – 2010 has been revised to 63 per cent from n/a to align with the revised frequency of reporting schedule, as presented in the 2009 – 2012 Agriculture and Rural Development Business Plan.

Discussion of Results — 3.a

The most current result available for this measure is 58 per cent, which was first published in the 2007 – 2008 Agriculture and Food annual report. The most current actual result of 58 per cent is slightly higher than the corresponding average of 57.3 per cent from the three prior tri-annual actuals published in the Ministry annual reports from 1997 – 1998 to 2004 – 2005.

The wording for this measure has been revised to "average percentage of improved environmentally sustainable agriculture practices adopted by producers." The revised version provides clarity and ensures consistency with the reporting methodology. The methodology remains the same as the prior years reporting, and results from future surveys are comparable to the prior years. In addition, the frequency of reporting has now been increased to every two years from every three years.

Description — 3.b: Number of producers provided with specific training and technical support to enable the development of environmental farm plans.

This measure tracks the uptake of training workshops designed to help producers gain knowledge and make voluntary environmental improvements in their farming operations. It indicates the Ministry's progress with respect to the transfer of integrated technology and knowledge to assist the agriculture industry become more environmentally sustainable, including the provision of financial incentives for the adoption of environmental farm plans (EFP).

GOAL 3 PERFORMANCE MEASURE (3.B)	2007 – 2008 RESULT	2008 – 2009 TARGET	2008 – 2009 RESULT	2009 – 2010 TARGET
3.b Number of producers provided with specific training and technical support to enable the development of environmental farm plans (cumulative).	10,310	9,000	**10,458**	n/a[1]

[1] The target for 2009 – 2010 is reported as n/a as this measure has been removed from future business plans.

Discussion of Results — 3.b

The actual result of 10,458 exceeded the forecasted target of 9,000 by over 16 per cent. A total of 148 producers completed the enhanced training workshop under the Alberta Environmental Farm Plan Program during the fiscal year under review.

External factors influencing lower uptake in 2008 – 2009 compared to 2007 – 2008 could be the reduction of the delivery period for the workshop and the fact that funding provided under the Canada-Alberta Farm Stewardship Program was already fully committed to producers who had completed Workshop II in the prior years.

The Ministry is currently reviewing strategies on beneficial management practices, related technologies and delivery models aimed at providing training, education tools and technical support to help producers perform self-assessment and identify environmental risks for their farm operations. As such, Performance Measure 3.b has been removed from future business plans until a new strategy on beneficial management practices and delivery models are implemented.

Core Business Two: Building Capacity and Managing Risk

GOAL 4

STRENGTHENED RURAL COMMUNITIES

The Ministry contributes to this goal by working with organizations to strengthen rural communities through involvement in business development, leadership development and supportive community infrastructure development and networks.

The measures under this goal target areas where the Ministry contributes to the quality of life in rural communities by providing targeted support for rural businesses, organizations and their networks.

Goal 4 — Performance Measures Results at a Glance

Reviewed by Auditor General

MEASURE CODE	PERFORMANCE MEASURE — GOAL #4	RESULT FOR 2008 - 2009
4.a	Total investment leveraged in rural businesses facilitated through Agricultural Financial Services Corporation (AFSC) lending services ($ million).	↓
4.b	Number and percentage of Ministry-supported, agricultural-related community activities that focus on leadership development.	§ number ↑ percentage
4.c	Number and percentage of rural youth and adults participating in Ministry-supported programs that report effective learning from those programs.	↓ number ↑ percentage

Results and Analysis of Performance Measures under Goal 4

Description — 4.a: Total investment leveraged in rural businesses facilitated through Agricultural Financial Services Corporation (AFSC) lending services ($ million).

The measure tracks the aggregate loans made available to rural businesses for farming and/or commercial activities. It highlights the successes of AFSC's direct contribution, partnership and collaboration with other stakeholders in providing funding for rural business development in Alberta. Total dollar investment in agri-business and farm loans is a proxy value for investment based on loans approved. Dollar investment is any fund (i.e., debt, equity, investment) that would be used to support the growth of value-added processing in agriculture.

The measure is an indicator of the Ministry's commitment to supporting the development and expansion of rural businesses, which positively contributes to a vibrant rural Alberta.

Reviewed by Auditor General

GOAL 4 PERFORMANCE MEASURE (4.A)	2007 – 2008 RESULT	2008 – 2009 TARGET	2008 – 2009 RESULT	2009 – 2010 TARGET
4.a Total investment leveraged in rural businesses facilitated through Agricultural Financial Services Corporation Services lending services ($ million).*	372	434	**399**	450

*Values reported for investments are a proxy measure based on loans approved. Not all approved loans are disbursed, and in some cases, there may be timing differences between approval and disbursements of loans.

Discussion of Results — 4.a

The actual result of $399 million is 7 per cent higher than the prior year's result and 8 per cent lower than the forecasted target of $434 million.

External factors influencing the result could include the general uncertainty in the equity market and the overly optimistic target set in 2007 – 2008 in anticipation of a robust growth in the bio-industrial industry.

DID YOU KNOW?

Alberta produced 29 per cent of the nation's wheat crop, 34 per cent of the canola, 44 per cent of the barley and 20 per cent of the oats during the past decade.

Description — 4.b: Number and percentage of Ministry-supported, agricultural-related community activities that focus on leadership development.

This measure highlights the Ministry's success in developing leadership capacity in rural communities, including the provision of diverse initiatives under Ministry agricultural community programming.

The breadth and diversity of agricultural-related community activities enhance the capacity of rural communities to nurture, retain and enhance critical skills in leadership.

GOAL 4 PERFORMANCE MEASURE (4.B)	2007 – 2008 RESULT	2008 – 2009 TARGET	2008 – 2009 RESULT	2009 – 2010 TARGET
4.b Number and percentage of Ministry-supported, agricultural-related community activities that focus on leadership development.	1,882 31%	n/a[1] 30%	**2,300** **33%**	1,900[1] 30%

[1] Targets for 2008 – 2009 and 2009 – 2010 were misreported in the 2008 – 2011 Agriculture and Rural Development Business Plan. The target of 1,900 for 2009 – 2010 was reported accurately in the 2009 – 2012 Agriculture and Rural Development Business Plan. A comparable forecasted target for 2008 – 2009 is not available and is replaced by n/a.

Discussion of Results — 4.b

A total of 2,300 Ministry-supported, agricultural-related community activities were organized in 2008 – 2009, an increase of 22 per cent over the result from the prior fiscal year. More than 33 per cent of all Ministry-supported, agricultural-related community activities focused on leadership development. The forecasted target was exceeded by three per cent.

The wording of this measure has been revised to "number of Ministry-supported, agricultural-related community activities and the percentage of activities that focus on leadership development" in Agriculture and Rural Development's 2009 – 2012 Business Plan with revisions made to related forecasted targets. The revision is intended to provide clarity of this measure.

Description — 4.c: Number and percentage of rural youth and adults participating in Ministry-supported programs that report effective learning from those programs.

This performance measure provides a continuous measurement tool for determining overall participation trends and behavioural changes in knowledge learned, attitude, skills acquired and aspiration developed through participation in Ministry-supported programs. Ministry-supported programs include educational events, workshops and/or sessions that provide learning opportunities for both youth and adults in rural communities to nurture and improve skill sets needed to strengthen rural communities.

GOAL 4 PERFORMANCE MEASURE (4.C)	2007 – 2008 RESULT	2008 – 2009 TARGET	2008 – 2009 RESULT	2009 – 2010 TARGET
4.c Number and percentage of rural youth and adults participating in Ministry-supported programs that report effective learning from those programs.	2,786 92%	3,400 90%	**2,962** **91%**	3,400 90%

Discussion of Results — 4.c

More than 2,900 adults and youth participated in Ministry-supported programs. The actual result of 2,962 is approximately 15 per cent lower than the forecasted target of 3,400, but 6 per cent higher than the last actual of 2,786.

The result indicates the Ministry's commitment to stem and stabilize enrolment in Ministry-supported programs. External factors influencing the result could include the general economic challenges facing families, especially those in rural communities, and an ongoing reduction in the number of farm families in Alberta.

GOAL 5

EFFECTIVE RISK MANAGEMENT

The Ministry contributes to this goal by working cooperatively with service providers to provide targeted business risk management training and information that allow agricultural business managers to identify, assess and respond to risks pertaining to their business. In addition, the Ministry provides appropriate support through programs such as the AgriStability Program, Production Insurance, drought preparedness and disaster recovery initiatives.

The measures for this goal track the effectiveness of the AgriStability program as well as risk management decision tools used by agricultural business managers to assess their risk management needs and options.

Goal 5 — Performance Measures Results at a Glance

Reviewed by Auditor General

MEASURE CODE	PERFORMANCE MEASURE — GOAL #5	RESULT FOR 2008 – 2009
5.a	Percentage of agricultural business managers surveyed indicating the use of risk management tools for improved decision-making.	↓
5.b	Percentage of seeded acres for major crop categories insured under Production Insurance: ■ Annual crops ■ Perennial crops	↑ Annual crops ↓ Perennial crops
5.c	Percentage of Alberta farm cash receipts represented by Alberta participants in AgriStability Program.	↑

Results and Analysis of Performance Measures under Goal 5

Description — 5.a: Percentage of agricultural business managers surveyed indicating the use of risk management tools for improved decision-making.

This measure tracks the usage and effectiveness of risk management tools available to primary producers in Alberta. A risk management tool is defined as an analytical process or a decision aid used to identify and measure risk and to evaluate alternative response strategies, technologies and practices.

Reviewed by Auditor General

GOAL 5 PERFORMANCE MEASURE (5.A)	2007 – 2008 RESULT	2008 – 2009 TARGET	2008 – 2009 RESULT	2009 – 2010 TARGET
5.a Percentage of agricultural business managers surveyed indicating the use of risk management tools for improved decision-making.	n/a[1]	30%	**28%**	n/a[2]

[1] The most current result available prior to 2008-2009 is 22%, as published in the 2005-2006 Agriculture and Food Annual Report.

[2] Target is not applicable as related survey is completed every three years. The next survey will be completed in 2011 – 2012.

Discussion of Results — 5.a

Nearly 28 per cent of agricultural business managers agreed that their choice of risk management decisions tools improved their ability to make better risk management decisions. The result is a 6 per cent improvement over the result achieved in 2005 – 2006, but 2 per cent below the forecasted target of 30 per cent.

Description — 5.b: Percentage of seeded acres for major crop categories insured under Production Insurance.

This measure indicates the success of the Ministry in providing customized insurance products to producers, based on individual producer risk preference.

Reviewed by Auditor General

GOAL 5 PERFORMANCE MEASURE (5.B)	2007 – 2008 RESULT	2008 – 2009 TARGET	2008 – 2009 RESULT	2009 – 2010 TARGET
5.b Percentage of seeded acres for major crop categories insured under Production Insurance:				
▪ Annual crops	67%	64%	**68%**	64%
▪ Perennial crops	22%	25%	**24%**	25%

Discussion of Results — 5.b

The percentage of annual crops insured under Production Insurance has slightly increased over the last three years and exceeded the Ministry's forecasted target of 64 per cent. Over 68 per cent of all eligible annual crops seeded in Alberta in 2008 – 2009 had some coverage under Production Insurance, based on individual producer risk preference.

The percentage of perennial crops covered under Production Insurance has been trending downwards, from a high of 29 per cent in 2005 – 2006 to a low of 22 per cent in 2007 – 2008. The actual result of 24 per cent is 2 per cent higher than the prior year's result, and 1 per cent below the forecasted target of 25 per cent. External factors that influence the result could include the continued good growing moisture conditions as well as excellent forage feed supply.

DID YOU KNOW?

A new, rapid, relatively low cost, non-destructive grain analysis technique was developed using near infrared spectroscopy that accurately predicts the quantity of the mycotoxin, deoxynivalenol, (DON), in a grain sample. Associated with the cereal disease Fusarium Head Blight, DON is an anti-quality factor in malting barley and can be harmful to livestock in relatively low concentrations.

Description — 5.c: Percentage of Alberta farm cash receipts represented by Alberta participants in AgriStability Program.

The measure provides evidence of the overall acceptance and effectiveness of the AgriStability program as a risk management option and solution to producers in Alberta. The program provides customized risk management solutions to producers, based on individual producer risk preference.

GOAL 5 PERFORMANCE MEASURE 5.C	2007 – 2008 RESULT	2008 – 2009 TARGET	2008 – 2009 RESULT	2009 – 2010 TARGET
5.c Percentage of Alberta farm cash receipts represented by Alberta participants in AgriStability Program.	74%	70% – 75%	**79%**	70% – 75%

Discussion of Result — 5.c

The percentage of Alberta farm cash receipts with proactive risk management coverage in place, as represented by Alberta participants in the AgriStability program, increased by 5 per cent from the prior year's result of 74 per cent. The forecasted target was met.

The actual result of 79 per cent is 4 per cent above the average of the three prior fiscal years performance of 75 per cent.

In the event of a downturn, producers associated with 79 per cent of Alberta farm cash receipts would be eligible to receive program payments, based on their coverage level. Program payments are essential in shortening recovery time and assisting producers to achieve their full economic potential.

Future Challenges

ALBERTA LIVESTOCK AND MEAT AGENCY'S BOARD MEMBERS

Charlie Gracey
Cherie Copithorne-Barnes
Dr. Kee Jim
Hisakazu (Harry) Hayakawa
Jeff Kroll
Joe Makowecki, Chair
John Weekes
Kim McConnell
Ron Jackson
Ted Bilyea
Wayne Mcknight

Summary of 2008 – 2009 Major Actions

The Ministry's measures show the effects the Ministry has on the two core business areas. In the 2008-2009 operating period, the Ministry enhanced its knowledge and actions on a variety of industry issues.

The Ministry's activities covered the following:

- development of a 10-year Strategic Plan outlining strategic objectives to advance the agriculture industry and advance rural communities
- advancing market access through the implementation of traceability and premises identification
- new market opportunities for diversified and specialty products and services
- trade agreements and advocacy
- Agricultural Policy Framework – Growing Forward
- safe food production strategies

Additionally, in June 2008, the Minister announced The Alberta Livestock and Meat Strategy, which outlines eight priority initiatives developed to achieve significant change in the industry. These changes are redirecting resources to key priorities, revitalizing the livestock industry, enhancing the value chain and refocusing efforts to achieve a sustainable and competitive livestock industry. Mandatory traceability and the development of a new Alberta Livestock and Meat Agency were key to implementing this new strategy.

The Alberta Livestock and Meat Agency Ltd., incorporated on January 29, 2009, is working to achieve long-term success for Alberta's livestock and meat industry. The Agency will help industry become sustainable, profitable and internationally competitive by focusing on marketing, research and production. A board consisting of highly qualified individuals, each with great knowledge and experience, govern the Alberta Livestock and Meat Agency Ltd. Five industry advisory committees, representing all sectors, have been formed to provide input and guidance to the work of the Agency. The role of these advisory committees is to provide advice on issues facing industry, support the implementation of the Alberta Livestock and Meat Strategy and provide a forum for industry representatives to share information.

The Ministry also participated in and supported a variety of cross-ministry initiatives and activities such as the Land Use Framework, Water for Life Strategy, Climate Change Strategy, Institute of Agriculture, Forestry and the Environment, pandemic preparedness planning and rural development.

Goals and measures are affected by challenges inherent in the industry; therefore, it is vital for the Ministry to continually assess, anticipate, evaluate and plan to respond to future challenges. The measures the Ministry uses to track progress towards its goals also need to be refined accordingly as challenges and opportunities arise.

Challenges for Future Actions

Alberta Agriculture and Rural Development's strategic priorities focus on enhancing a competitive and market-driven industry, safe and secure food products and production practices, environmental stewardship and vibrant rural communities.

Competitiveness

Global trade is vital for Alberta's agriculture and food industry as it generates a substantial portion of annual revenue. International trade poses both challenges and opportunities for all countries that participate in it. The key issues for Alberta are export market access and the ability to compete and win in markets where its products have freer access. Maintaining and expanding market access and continuously improving the capacity to produce and deliver products to global customers at competitive prices present both challenges and opportunities for the future.

The Government of Alberta, in cooperation with the federal government, other provinces and industry, is committed to strongly advocating for improved market access for Alberta producers. It is doing so by actively and forcefully presenting its positions for freer and undistorted market access at multilateral and bilateral trade negotiations. A timely conclusion of these negotiations remains a challenge.

To benefit from market access, Alberta's industry will need to continually rediscover ways of remaining competitive in existing markets and take full advantage of new markets. Among other things, the industry needs to find ways of differentiating itself from its competitors to capture new, high-value markets and maintain existing ones.

Among the challenges the industry will face in capturing new or high-value markets are developing new products with the attributes consumers want, proving that Alberta products are different from those of competitors and ensuring a critical mass of differentiated raw materials and value-added products. Successful response will allow Alberta to gain a significant market share of high-value markets around the globe. The Government of Alberta is committed to providing infrastructure and public domain research and development support for the industry as it continues to sharpen its competitive edge.

INTERESTING FACT

Agriculture and food processing industries employed 73,700 Albertans in 2007. Of this total, 50,400 were employed in primary agriculture and 23,300 in food and beverage industries.

In light of the foregoing, product identity preservation, traceability, surveillance and certification of foods will play increasingly important roles in differentiating Alberta products from those of competitors. It may even be essential to brand both national and provincial food safety systems, animal health strategies and product identities to meet and exceed the requirements of trading partners.

Rising costs of production continue to affect competitiveness. Rising energy costs not only affect input costs for both primary production and processing, but also costs of transportation services and fertilizer production.

Current labour shortages are another factor the agriculture and food industry has to contend with. Difficulties in accessing labour pose a serious challenge to industry growth. The demand for workers in Alberta's thriving economy is resulting in widespread labour shortages and increasing wages. Automation programs coupled with lean manufacturing programs can help industry deal with some components of labour shortage challenges. In addition, policies could be created to help industry access the alternative workforce.

Rising demand for food coupled with the demand for feedstock for biofuels production offer an opportunity to boost farming and food manufacturers' incomes, and generate employment in the agricultural sector.

DID YOU KNOW?

Alberta households spent an annual average of $7,449 on food, representing 8.7 per cent of total household expenditure in 2006. Of this total, approximately 75 per cent was attributable to store purchases. The remainder was mainly purchased from restaurants.

Safe and Secure Food Products and Production Practices

Consumer tastes, preferences and incomes are continually evolving. Current shifts in North American consumer demographics (i.e., aging population and increasing immigration) have significant implications for Alberta's agriculture and food industry.

Consumers are demanding healthy, safe food that is produced in an ethically and environmentally sound manner. The trends indicate two long-term developments:

1. Healthy food will become an increasingly desirable option as consumers in developing and developed countries make the link between diet and health.
2. The well-being of the environment will continue to grow as a driver of consumer tastes, farm production and processor costs.

The rapid adjustments required in production practices and product mix to meet changing consumer tastes and preferences create continual challenges for the industry. The rewards are also great for those who seize opportunities and meet the changing consumer demand.

Vibrant Rural Communities

The vitality of rural communities is challenged by a number of factors, including demographic shifts from rural to urban. This shift is a result of young people leaving communities to seek employment, as well as the shift of the business community to more urban centers.

A gap in services to rural communities, such as broadband access for the internet, makes it difficult to attract and retain business and people.

Environmental Stewardship

Agriculture and the environment are intrinsically linked, and Albertans are increasingly concerned about the environment.

The agriculture and food industry will continue to meet the challenge of protecting the environment while meeting the business demands of agriculture. The development of market-based methods to capture the value provided by agriculture in employing environmentally sound practices is, therefore, important to promote sustainability. Combining the foregoing initiative with a long-term, comprehensive agri-environmental strategy will play a vital role in ensuring both agriculture and the environment are sustainable over the long term.

Many of the resources required by the agriculture and food industry are becoming increasingly difficult to obtain due to limited supply and heightened competition from other sectors of Alberta's economy.

Competition for farmland from other sectors, such as oil and gas exploration and extraction and the expansion of urban centers and residential acreages, drives up the price of farmland. Water resources are also facing increased demands, especially in southern Alberta, resulting in reduced availability of water for farming and food processing. Consumer concern for the environment, as well as demand for environmental benefits, and an increasing desire for landscape amenities also limit both the availability of land for farming and the type of farming practices employed.

Core Businesses, Goals and Measures

The Ministry contributes to the government priority: Enhance value-added activity, increase innovation and build a skilled workforce to improve the long-run sustainability of Alberta's economy. The Ministry also contributes to the following two government goals: Alberta will have a prosperous economy and Alberta will have a financially stable, open and accountable government and maintain its strong position nationally and internationally.

The Ministry functions are aligned with government's core businesses through the Ministry's two core businesses:

- Facilitate sustainable industry growth
- Building capacity and managing risk

Core Business One: Facilitate Sustainable Industry Growth

This core business:

- Relates to the government priority **Build a stronger Alberta.**
- Promotes growth by adding value to agricultural products and services.
- Supports an innovative, profitable and globally competitive industry capable of sustained growth.

Core Business Cost $237.6 Million

Goal 1 – Sustainable Growth of the Food and Non-Food Agriculture Industry

This goal realizes that sustainable growth creates opportunities and wealth for all segments of the food and non-food agriculture industry and contributes to the diversification and prosperity of the province. The Ministry contributes to this goal by working with industry and supporting key initiatives that focus on consumer-driven market opportunities that increase long-term profitability and increase industry competitiveness. The Ministry also develops policies and establishes partnerships that enable flexibility in responding to changing markets.

Goal 1 Expense $206.0 Million

Key contributions to achievement of this goal include an ongoing commitment to the Agriculture Workforce Strategy that allows industry to have the required human resources to capitalize on new and existing market opportunities. Continued partnership with industry to ensure investment in physical infrastructure as well as providing producers access to capital also works towards achievement of this goal. The Ministry also has committed to encouraging innovation and diversification and developing legislation, regulation and policy that will allow the industry to become more competitive.

Strategy 1.1:

Encourage innovation and diversification by facilitating the development of new business models, value-added products and agricultural services that respond to market opportunities.

Results:

The Food Processing Development Centre in Leduc evaluated 5 new technologies, has 65 client-initiated developmental projects underway and led or assisted in 19 research projects related to value-added products. It also assisted Alberta companies in the development of 118 new products, 23 of which were successfully introduced to the marketplace.

Working in partnership with the Ministry, six food service companies identified 39 new product development opportunities for Alberta processors. This work resulted in the introduction of two new Alberta products to the food service market, with further product and research and development stages for 2009. In addition, the Ministry connected processors with retailer opportunities to achieve three new Alberta product listings with convenience store retailers and 34 new Alberta product listings with grocery retailers.

The Leduc Food Processing Development Centre hosted the largest food processing equipment and technology expo of its kind in Canada in November 2008. The expo featured live demonstrations, including innovative hamburger equipment that creates 24,000 handmade looking patties per hour. The expo played an important role in encouraging entrepreneurship and innovation in Alberta's food processing industry. Seminars at the event included innovative packaging, market trends and opportunities, new thermo-processing cooling technology and all-natural ingredients.

Business Development staff and the Agriculture Information Centre answered more than 250 new venture business inquiries. Clients were assisted in making business decisions through the provision of information and links assessing target markets.

The Local Market Expansion Project (LMEP) was initiated in response to the growing demand for fresh, healthy, convenient and environmentally sustainable agriculture products and services. With joint funding from the provincial and federal governments through the Agricultural Policy Framework (APF) and the rallying cry "Eat, Shop, Experience," the LMEP delivered programs aimed at enhancing access and profitability in these emerging markets.

With the creation of a standard operating procedures manual for quality control, the Rhodiola rosea Commercialization project has moved to Rhodiola product production. The manual was used by the Alberta Rhodiola rosea Growers Organization in fall 2008 for harvesting, washing and drying Rhodiola for market. Two buyers have purchased the 2008 product, and one international buyer has agreed to purchase two-thirds of the Rhodiola crop for the next four years.

Research results from potato trials at the Crop Diversification Centres North and South have resulted in the Canadian registration of nine new potato varieties in 2008. These potato varieties were selected to appeal to gourmet and niche markets. Alberta seed potato and table market producers will be growing them for both domestic and export use. Also, the Ministry commercialized three recently registered new barley varieties. Variety release licenses for Bently, Chigwell and Busby were awarded to Canterra Seeds, Secan Association and Mastin Seeds respectively.

DID YOU KNOW?

The Ministry was successful in obtaining Advancing Canadian Agriculture and Agri-Food funding for a cosmetic ingredient company to develop a business case for a small starch grain dry processing facility. This stage is a stepping stone towards the scale up of a commercial cosmetic ingredient production facility in Alberta.

The Ministry also supported the establishment of new business relationships through sponsoring four producer/chef connector events with three chef/producer roundtables attended by 160 producers, chefs, distributors and media. Producers learned valuable information about food service kitchens, product format for chefs, storage facilities and the logistics of supplying local food to restaurants.

Strategy 1.2:

Increase capital investment by industry through opportunity identification and evaluation and granting better access to capital for farmers, agri-businesses and value added industries.

Results:

Granting better access to capital for farmers is essential for the industry to grow and gain a competitive advantage. The Ministry continues to work with partners to give producers more flexible options that lead to increased opportunities.

Agriculture Financial Services Corporation (AFSC) approved 1,165 loans totaling $203 million under the Alberta Farm Loan Program (AFLP) in 2008 – 2009, supporting total investment of $236 million. The fiscal year 2008 – 2009 saw an increase in the industry's need for financial assistance as the economy was in transition rather than expanding. The versatility of the AFLP and the ability to provide long-term stable options in uncertain times allowed AFSC to continue to meet the needs of primary producers in Alberta.

In 2008 – 2009, AFSC approved 78 loans totaling $29 million under the new Value-added and Agri-business Program (VAAP), supporting total investment of approximately $133 million. The advantages of longer term financing and flexible repayment options of the VAAP have supported significant expansion and market development in the agri-business and value-added sectors. AFSC approved another 204 loans and guarantees totaling $52 million and 26 capital sourcing projects, supporting total investment of $140 million to support various commercial enterprises in the province of Alberta.

AFSC and Export Development Canada have taken a step forward in strengthening their existing working alliance by signing a memorandum of understanding to improve access to financing to purchase new equipment, enhance export sales and provide access to working capital to fulfill specific export orders.

The Ministry introduced the *Feeder Associations Guarantee Act, 2009,* which creates improved business development opportunities for livestock feeder associations. This legislation will enable more effective financial services for producer-driven supply chains, so producers can successfully advance their businesses and market their products.

Commercial bioenergy projects using agriculture feedstock continue to unfold. Ministry staff are working with clients on the implementation and delivery of the Department of Energy's Biorefining Commercialization and Market Development Program and the Bioenergy Infrastructure Development Program. A successful workshop was held on sourcing capital to support new entrants into the bioenergy sector. In December 2008, the Government of Alberta announced a renewable fuel standard for Alberta. This initiative consists of 2 percent renewable diesel and 5 percent renewable gasoline to be included in Alberta liquid fuels by 2010. Ministry staff are continuing to work with Alberta Energy in the development of the regulations for the renewal fuel standard.

DID YOU KNOW?

Agri-food capital investment expenditures in Alberta were an estimated $863.2 million in primary agriculture and $153.7 million in food and beverage manufacturing in 2007.

Strategy 1.3:

Optimize industry's capability to compete by delivering information and services, collaborating with partners on targeted research, supporting technology adoption and ensuring investment in essential physical infrastructure.

Results:

The Ministry is engaged in two agriculture related bioenergy projects that are of great interest to the agriculture community. These projects are integrated clusters with a cattle feedlot and a farrow-to-finish hog operation. Both incorporate an anaerobic biodigester, to handle the manure and produce electricity and an ethanol facility, which will supply a feed source for the animals through the distiller's grains. The cattle feedlot project already has a biodigester and has broken ground for an ethanol facility.

The Ministry has been instrumental in establishing an Agricultural Biofibre Initiative targeted at converting agricultural feedstock into advanced materials for automotive products, building products and environmental protection markets. To advance this initiative, $9 million, split over three years, has been awarded to the Ministry from Alberta Advanced Education and Technology's Technology Commercialization Program for equipment purchases for the development of an Alberta BioMaterial Development Centre. The centre is an incubator model, focusing on commercialization that creates an environment for businesses, entrepreneurs and scientists to flourish.

The sod was turned on the new Greenhouse Complex under construction at the Crop Diversification Centre South in September 2008, and construction is well underway. The facility will include research greenhouses and a pre-production greenhouse. The greenhouse industry is one of the fastest growing sectors in Alberta agriculture, tripling in size over the past 25 years. An ideal location for the new upgraded facility due to its close proximity to commercial growers, the centre has the support of researchers and experts who specialize in areas such as plant pathology, irrigation technology and business development.

The Containment Level 3 Laboratory was reaccredited by the Canadian Food Inspection Agency and the Public Health Agency of Canada in support of foreign animal disease preparedness, surveillance and research in poultry and livestock diseases. The laboratory, also accessed by University of Alberta researchers, includes new instrumentation that has enhanced the detection capabilities for chemical contaminants in agri-food products.

Alberta livestock producers were assisted through animal health programs within the Ministry such as the Alberta Veterinary Surveillance Network. This network monitors and maps the incidence of disease in 1.5 million dairy and beef cattle to provide an early warning system for foreign animal and emerging disease outbreaks in the province. Systems are also being established for the poultry, swine and small ruminant industries.

Working in partnership with the beef industry and research institutions, the Ministry achieved results in the application of bovine genomics assessing individual animal net feed efficiency. In particular, the "Application of next generation genomic tools in beef: Addressing the phenomic gap" program received over $3 million over five years from Funding Consortium, Alberta Advanced Education and Technology and industry. This strategic program will contribute to the competitiveness and profitability of the industry and will ultimately put Alberta one step ahead of most regions of the world in ensuring that the science of gene markers is applied and adopted.

DID YOU KNOW?

Alberta's agri-food industry (excluding beverage manufacturing) contributes just over 3.0 per cent to the province's real Gross Domestic Product (GDP).

The Ministry partnered with Olds College, School of Animal Science (Meat Processing Program) and the Lacombe Research Centre to develop and test a prototype of the first Canadian multi-location abattoir (MLA) for slaughter of a wide variety of livestock in various conditions. The MLA was developed to meet an identified need to address emerging urban markets for local meat, including naturally raised meat, organic, grass fed, ethically raised and raised on the family farm. The MLA was evaluated and met regulatory requirements and standards.

The Ministry has worked with industry, Advanced Education and Technology and the University of Alberta to increase capital investment in infrastructure at Agri-Food Discovery Place (AFDP) and Alberta Research Council Vegreville. In 2008 – 2009, a draft strategic plan for AFDP was developed with inputs from industries and shareholders. A new Buhler mill has been commissioned and installed for fractionation of plant material.

The Canadian Triticale Biorefinery Initiative (CTBI) has successfully obtained funding of $1.6 million allocated to the Ministry through the Agricultural Bio-products Innovation Program. The CTBI industry advisory group includes members from across the value chain and multiple industry sector, including: Nova Chemicals, United Farmers of Alberta and producers. Three Ministry projects are among CTBI: green triticale biorefining, triticale grain and bran fractionation and triticale bioconversion.

DID YOU KNOW?

Alberta beekeepers exporting honey to Japan were supported with laboratory quality analysis, resulting in the creation of 63 export certificates.

Funding for irrigation rehabilitation was increased from $24 million to $28 million in 2008 – 2009 on a 75 per cent government: 25 per cent industry funding formula. These funds supported the rehabilitation of approximately 264 km of irrigation district water delivery infrastructure that will help improve water use efficiency.

The Lethbridge Irrigation Development Centre carried out research and innovation programs with several partners including McCain Foods, Lantic Inc., Bayer Crop Science, Alberta Crop Industry Development Fund, University of Alberta, and Agriculture and Agri-Food Canada. These programs aim to assess, demonstrate and commercialize new technologies and systems that will improve on-farm irrigation water management.

Ministry crop scientists completed many important studies focused on supporting a more competitive and diversified cropping system for Alberta. In pulse crops, new recommendations for chickpeas and lentils included more effective use of nitrogen fertilizer and seed spacing. Four of 38 mung bean lines were found to be adaptable to Alberta conditions, and data from Ministry researchers led to the presentation for registration in 2009 of four new field pea varieties and two new faba beans.

Ministry livestock scientists completed many projects focused on improving animal productivity and competitiveness. Dairy researchers developed a protocol to improve pregnancy rates in dairy cows. Three beef cattle protocols for greenhouse gas (GHG) mitigation were approved and registered by Alberta Environment and a fourth one on breeding outcomes for feed efficiency is under development. A series of studies on pig nutrition using Alberta-grown pulses showed that nutrient availability was greater in faba beans and could replace imported soybean meal in swine rations. A second series of studies demonstrated that concentrated fractions of protein and starch were more digestible from locally-produced pulses compared to imported soy protein concentrate and cornstarch, in pig rations. Further research indicated that faba bean and field pea protein fractions could also partially replace fishmeal in young livestock diets.

Two recent studies examined dried distillers grains and solubles (DDGS) in livestock and poultry diets and showed dramatic improvements in digestibility of energy and essential amino acids in both wheat and corn DDGS when the product was extruded. In a performance study, wheat, triticale and corn DDGS were shown to be successfully included at up to 10 per cent of poultry broiler rations without adversely affecting performance or breast meat yield. This result is the first confirmation that locally-sourced wheat and triticale DDGS can successfully displace more expensive dietary components while maintaining animal performance. A study completed in commercial conditions, showed that a gradual phasing out of corn DDGS from diets can allow the successful incorporation of wheat and triticale DDGS in practical pig feeding without adverse effect on pork quality and dressing percentage.

DID YOU KNOW?

The top five Alberta agri-food exports in 2007 were wheat ($1.6 billion), canola seed ($923 million, beef ($887 million), live cattle ($702 million) and pork ($346 million).

Strategy 1.4:

Enhance domestic and international market access and differentiation through policy direction and analysis and targeted programming.

Results:

The business case for development of the Alberta Crop Pest Surveillance and Monitoring System was completed. The Alberta Crop Industry Development Fund is contributing $487,500 to system development and matching funds from industry are being pursued.

Monitoring and forecasting of major pests in 2008 – 2009 resulted in focused control efforts for numerous pests, most notably the wheat midge, which had its first major outbreak in Alberta in 2008. Private industry, research associations and Agricultural Service Boards contributed to monitoring efforts across the province.

The *Alberta Clubroot Management Plan* was reviewed, and policy guidelines were developed and distributed to all counties in Alberta to facilitate consistent enforcement in the province. Information was provided to individuals, municipalities, the oil and gas sector and related government agencies to raise awareness of this disease and outline the best management practices needed to reduce spread. Gaps in knowledge about this disease have been identified, and new research has been undertaken to address these gaps.

Ministry staff assisted the Canadian Food Inspection Agency with soil sample collection, storage, drying, data entry, and shipping at the Crop Diversification Centre North during their response to discovery of potato cyst nematode, a federal quarantine pest, in Alberta. Data from this activity was vital to negotiation with the United States (U.S.) and led to re-opening of the U.S. market to Alberta seed potatoes.

The Ministry developed a plan of action in conjunction with Saskatchewan to pursue marketing choice in wheat and barley for Western Canadian grain farmers. Part of the approach used will be the "An Open Market for CWB Grain" study commissioned in June 2008, which focuses on the significant gains that would be achieved through an open market for Canadian Wheat Board grains. The study concluded that revenue gains from an open market system would total $450 million to $628 million per year. The Ministry also maintained the *ChoiceMatters* website to broaden producer access to information and enhance awareness.

The Ministry commissioned a report from the George Morris Centre titled "Cost Competitiveness Analysis of the Alberta Dairy Supply Chain." The study assessed cost competitiveness of the dairy farm and dairy processing sector of Alberta relative to competing regions and the effect of changes in component pricing on milk revenues. The findings of both the farmer and processor analysis indicate that the Alberta dairy supply chain is in the lower cost range among competing jurisdictions.

Ministry staff also provided input to federal government comments on mandatory Country of Origin Labelling (COOL) and provided input on resolving the following: potato cyst nematode, R-Calf legal challenge, beef access to Mexico. Some of Alberta's concerns have been addressed with the introduction of some flexibility in the labelling requirements for Canadian cattle in the U.S. Regulations came into effect in March 2009. Ministry staff are participating in an industry-government working group preparing analysis of economic effects of COOL in preparation for WTO challenge.

The Ministry continued to advocate Alberta's agriculture and agri-food interests, promote trade, exchange information and strengthen the province's agricultural trade relations at the Western Association of State Departments of Agriculture annual general meeting in July 2008 and at the Tri-National Agricultural Accord in August 2008. The Minister also attended the Legislative Agriculture Chairs Summit in January 2009 to promote Alberta's agriculture and agri-food industry and highlight key agricultural trade issues.

The *Animal Health Act* (AHA), Alberta's primary animal disease control legislation, came into effect on January 1, 2009, with three new regulations:

- Traceability Livestock Identification Regulation
- Traceability Premises Identification Regulation
- Reportable and Notifiable Diseases Regulation

The AHA reflects the needs of today's livestock industry, Alberta's reliance on access to international markets and the need for animal disease control and surveillance.

Ministry and Livestock Identification Services staff members were temporarily reassigned throughout Alberta to assist producers with age verification and premises identification. The mobile field representative initiative with the Canadian Cattle Identification Agency (CCIA) was extended providing a highly recognized service to producers regarding producer training, CCIA requirements for animal identification, age verification and premises identification.

The Premises Identification Program, established to track the location of animals in case of an animal disease occurrence, a public health related emergency or an emergency such as a natural disaster affecting animals and people, was launched in October 2008. More than 23,000 producers have registered in Alberta systems.

Strategy 1.5:

Address workforce pressures by implementing programs and services to increase worker recruitment, retention and productivity as identified in the workforce strategy.

Results:

In partnership with Alberta Health and Wellness, mandated food worker hygiene examinations were translated into a variety of languages to ensure that workers can write exams unhindered in their language of preference. Languages include Punjabi, simplified Chinese, Korean, French and Vietnamese.

The Ministry was the delivery and applicant coaching arm for the Alberta Crop Industry Development Fund's (ACIDF) Automation and Productivity Program pilot initiative. Ministry staff assisted with 27 applications resulting in 17 approvals, 3 declines, and 7 that are still working through the approval process as of March 31, 2009. The 17 approved applications result in an ACIDF approved grant total of about $2 million with a

DID YOU KNOW?

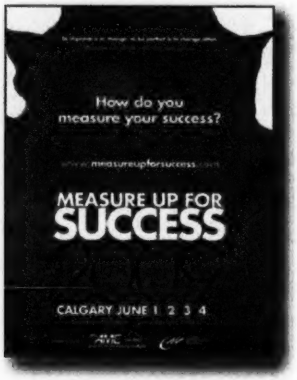
The agri-food industry in Alberta is export orientated. Alberta is the second largest exporter in of primary and processed agricultural food product in Canada, after Ontario. In 2007, Alberta agri-food exports totaled $6.6 billion.

total estimated proposed investment by these 17 applications of more than $11.5 million for a combined total estimated proposed investment by applicants and ACIDF of more than $13.5 million.

The Ministry has completed the second year of a three-year strategy to assist in addressing workforce issues specific to food production and food processing. Staff developed four recruitment missions: two missions to the Philippines, one to Mauritius and one to Mexico. Nine companies and two producer associations attended to select specific skill sets needed in the agri-food industry from countries with compatible recruitment policies. The Workforce Development program allocated 14 grant applicants a total of almost $78,000 to cost share international travel expenses to interview and select workers for 1,250 vacant Alberta positions. The Ministry recommended 894 eligible processing industry workers to the Alberta Immigrant Nominee Program. In addition, 40 skilled primary workers and one self-employed farmer were recommended for the Alberta Immigrant Nominee Program allocation approval. The Ministry continues to actively support and provide input into workforce programs that are ongoing at federal and provincial levels.

DID YOU KNOW?

There are 49,431 farms in Alberta. Total farmland area is 52.1 million acres, with an average farm size of 1,055 acres. (2006 Census of Agriculture)



Emphasis on employee retention was increased this year to reduce turnover costs in the food processing industry. Ministry staff provided 23 companies with retention coaching and 23 human resource management tools are available to assist human resource managers with retention strategies: 46 companies report that they are using the resources. Additionally, 94 front-line supervisors received supervisory skill training to reduce worker turnover, which will affect over 3,000 employees in the agri-food sector. The Ministry partnered with Alberta Employment and Immigration to introduce temporary foreign worker settlement services to workers in Brooks and Red Deer. To date, 174 workers used the service. The Ministry also partnered with other stakeholders to address housing options, English language assessment and other settlement issues.

The Productivity Improvement Project was developed to introduce Alberta companies to the opportunity to make productivity improvements based on third-party lean manufacturing coaching or automation assessments. Pre-assessments were completed on 25 businesses including two farm businesses. Seven companies received in-depth automation assessments, six companies undertook three months of lean coaching and one was coached on lean accounting. In partnership with Alberta Finance and Enterprise, the Ministry developed an incentive program to encourage agriculture and food companies to participate in the international lean conference organized by the Association of Manufacturing Excellence and the Canadian Manufacturers & Exporters that took place in Alberta in June 2009.

Additionally, the Ministry hosted the first Productivity Workshop, which provided over 50 participants with the opportunity to learn first-hand from industry the costs and benefits of completing productivity improvement programs in their businesses. The lean accounting pilot project and new automation analysis software program were introduced. The project and workshop laid the foundation for a comprehensive program to enhance product and process efficiency for both producers and processors.

Goal 2 – Continued Excellence in Food Safety

This goal recognizes that a reputation for excellence is essential to maintaining consumer confidence and expanding domestic and international markets.

Excellence in food safety is facilitated through surveillance and the enforcement of legislation, regulation and policy, as well as research, education and extension. The Ministry also supports the adoption of science-based food safety and traceability systems by industry. The Ministry's initiatives support the development of intergovernmental approaches to food safety in collaboration with Health Canada, the Canadian Food Inspection Agency, Agriculture and Agri-Food Canada, Alberta Health and Wellness and the regional health authorities.

DID YOU KNOW?

Meat and poultry processing is at the heart of primary production and food processing activity in Alberta. Manufacturing sales totaled $5.4 billion in 2007, which represented 53.6 per cent of total food processing.

Goal 2 Expense $16.9 Million

Key contributions to the achievement of this goal include partnerships with other jurisdictions that share legislative responsibilities for food safety, education to increase industry awareness of and provide assistance to facilitate adoption of international food safety control systems, scientific information that produces clear recommendations to reduce food safety risks and appropriate food safety surveillance, regulatory inspections and enforcement.

Ensuring Alberta's interests are represented in traceability initiatives that involve other jurisdictions as well as enhancing food traceability systems to reduce risks to Alberta's agriculture industry and enhance consumer confidence also contribute to continued excellence in food safety.

Strategy 2.1:

Facilitate adoption of internationally accepted food safety systems and standards in production and processing of Alberta food.

Alberta Hazard Analysis Critical Control Points (HACCP) Advantage Program (AHA!) is a voluntary program established by Alberta Agriculture and Rural Development, in cooperation with Agriculture and Agri-Food Canada, to provide third-party certification and government recognition of food safety and HACCP systems implemented by Alberta food processors. The AHA! program was utilized by 52 new processors in the province to advance the development of their food safety systems. Ministry staff completed 32 food safety gap assessments to the AHA! standard with Alberta processors to build knowledge and awareness of the gaps in the current food safety system, develop a road map of options to implement food safety controls and become aware of extension services offered by the Ministry.

Alberta
HACCP
Advantage
AHA!

Grants from the Federal Food Safety Initiative Program of the Agricultural Policy Framework were provided to 104 processors totaling almost $887,000. This funding was used by processors to advance food safety systems development and implementation, to provide food safety training and to purchase necessary food safety monitoring equipment and computer equipment to help in documenting their food safety systems.

Ministry staff worked with provincial producer organizations to develop implementation plans for adoption of On-Farm Food Safety (OFFS) programs by livestock producers. Implementation by producers ranges from fully implemented for some commodities to awareness activities for others. Five national producer OFFS programs seeking official Canadian Food Inspection Agency recognition were reviewed by the Ministry.

To support the industry's adoption of food safety best practices, Alberta developed several programs under the federal-provincial Growing Forward framework targeted at the implementation of food safety systems. Four programs were developed to provide financial assistance to provincial organizations delivering food safety programs and to producers and processors implementing these programs.

DID YOU KNOW?

Nearly two thirds of Canadian beef processing occurs in Alberta. In 2007, cattle slaughter in federally and provincially inspected plants (excluding calves) was 2.2 million head or about 64 percent of the Canadian total of 3.5 million.

Strategy 2.2:

Maintain a surveillance system that validates the safety of Alberta's agriculture and food products and identifies opportunities for enhancement.

Ministry efforts focused on various studies related to safe food production and processing. For example, the Ministry tested the microbial levels on red meat carcasses slaughtered in a multi-location abattoir to determine the microbial load on carcasses. A second study, scheduled to conclude in 2009 – 2010, was developed and launched to provide an assessment of sanitation in provincially-licensed meat facilities by measuring the indicator and pathogen bacterial loads on food and non-food contact surfaces including the presence or absence of *Listeria monocytogenes*. The outcomes from the project are to provide the operators with quantitative evidence of the microbial loads and to provide education and awareness of how to improve sanitation best practices to assure food safety of products handled in the facility.

The presence of Salmonella in the provincial poultry flock was monitored by ongoing testing under the Poultry Health Program. Polymerase chain reaction methods for *Salmonella* Enteritidis, *Salmonella* Typhimurium and DT104 have been validated allowing for increased efficiency, faster results and decreased manpower.

The Ministry passed a ISO 17025 audit of its food safety and animal health laboratories by the Standards Council of Canada. This accreditation provides confidence in the quality of testing results used to confirm the safety of Alberta's animal and food products to both local and international clients.

The Ministry tested 7,073 samples in support of Canada's Controlled BSE status. This contributed to restoring confidence in Canada's BSE control program and elevated Canada's international status to a controlled-BSE-risk country. Changes to the BSE Surveillance program were successfully implemented in July 2008, and to address decreases in sampling numbers, adjustments were made to allow veterinarians to age verify by dentition on all eligible animals.

Ministry staff tested 6,097 farmed deer and elk, all negative, under the Chronic Wasting Disease (CWD) Mandatory Surveillance Program. This program helps Alberta cervid farmers to demonstrate freedom from disease and allows their animals and products access to external markets. The Ministry also tested 6,001 hunter-killed wild deer and elk for CWD in support of Alberta Sustainable Resource Development's efforts to reduce the spread in wild deer populations and reduce the risk of spread to Alberta's farmed elk and deer populations.

Strategy 2.3:

Develop, administer and review essential policy, legislation and regulation to ensure the safety of Alberta's agriculture and food products.

Alberta has taken another step towards a more effective and efficient livestock industry with proclamation of the *Livestock Identification and Commerce Act*. The livestock industry will now see such changes as mandatory livestock security interest disclosures, greater protection for personal property in livestock, streamlined documentation, and enhanced consumer protection. Livestock Identification Services Ltd. is a not-for-profit company established in 1998 and administers the legislation under a Delegation Agreement with the Minister of Alberta Agriculture and Rural Development.

All Ministry licensed red meat abattoirs receive an annual Meat Facility Standards (MFS) audit once per year as part of the Meat Inspection Branch MFS audit program. Each abattoir receives a Level 1 – 6 rating with levels 1 – 3 receiving a certificate Gold (90 %+), Silver (80%+) or Bronze (70%+) indicating that they have added a preventative system to their existing system. In the 2008 – 2009 fiscal year, almost three-quarters of Alberta licensed meat facilities have added a preventative system to their existing food safety system.

Ministry staff completed the amendment of the *Meat Inspection Act* in 2008 to include meat facilities owned and operated by mobile butchers. The Alberta Legislature passed the *Meat Inspection Amendment Act,* transferring legislative authority for mobile butcher facilities from Alberta Health and Wellness to the Ministry in December 2008. The new *Meat Inspection Amendment Act* and Regulations were proclaimed in May 2009.

Through participation on the Federal/Provincial/Territorial Food Safety Committee, the Ministry helped develop a National Strategy for Safe Food (NSSF) that has been endorsed by the provinces and territories. The Food and Consumer Safety Action Plan developed by the federal government is being aligned with the NSSF. Key priorities in these initiatives include Enhanced Surveillance of Domestic and Imported Foods, Advancing a National Standard for Meat Hygiene and Pathogen reduction in meat and poultry.

The Ministry continues to participate in the Canada-Alberta Partners in Food Safety (CAPiFS). The CAPiFS Foodborne Illness and Risk Investigation Protocol was activated to respond to a case of *Salmonella typhi* in an Alberta food handler. CAPiFS also was involved in the development of online digital media learning tools for hand hygiene and general food safety. An Alberta Food Safety Strategy was developed through the CAPiFS steering committee and aligns with national food safety initiatives.

Additionally, the Ministry provided $2.2 million to 90 recipients to offset the increased costs associated with Specified Risk Material (SRM) disposal. A total of $6.4 million was also provided to industry from the shared federal-provincial program for infrastructure and equipment required for SRM segregation and destruction. Alberta's industries are complying with the enhanced feed ban. Projects involving infrastructure for inactivating prions and extracting value from SRM have attracted outside investors resulting in the formation of partnership agreements.

DID YOU KNOW?

Alberta beef production consisting of carcass and boxed beef was estimated at 734,119 tonnes in 2007.

Strategy 2.4:

Develop and communicate information, share knowledge and transfer technology to enable safe food production and processing, traceability and market access.

DID YOU KNOW?

The Livestock Disease Investigation Network and Livestock Pathology Consultation Program investigated and provided consultation services on more than 100 animal health issues or significant herd problems.

Ministry scientists were instrumental in collaborating with industry to provide research results leading to the registration by the Canadian Food Inspection Agency (CFIA) of Biostel Electrolyzed Oxidizing Anode Water for use as a hard surface sanitizer in federally registered food establishments to control food-borne pathogens, thereby providing industry with a safe and efficacious product choice.

Ministry scientists, in collaboration with the CFIA, also developed and field-tested a system for bio-contained mortality composting scaleable from a single bovine mortality to use with a feedlot containing 40,000 or more cattle. This system is designed to be easily and inexpensively implemented and could be used in the event of a foreign animal disease outbreak, such as hoof and mouth disease. This project also developed multiplex and real-time molecular assays to predict the rate of inactivation of pathogenic organisms in mortality compost. Using these assays, the finished compost can then be safely land-spread without risking release of infectious organisms.

To announce changes to the eligibility criteria for the new BSE program, an update was delivered through teleconferences to veterinarians in January and February 2009, and a communication campaign was delivered by press releases, interviews and a mail-out to all producers in the program. Changes on the eligibility criteria and to the quality of data resulted in better information received with the applications, fewer mistakes and compliance investigations.

7 PRINCIPLES OF HACCP

Principle 1 - Conduct a Hazard Analysis

Principle 2 - Determine Critical Control Points (CCPs)

Principle 3 - Establish Critical Limits

Principle 4 - Establish Monitoring Procedures

Principle 5 - Establish Corrective Actions

Principle 6 - Establish Verification Procedures

Principle 7 - Establish Record Keeping and Documentation Procedures

Several resource materials promoting food safety were developed by the Ministry to enhance best practices by industry. A training and implementation manual for processors was developed to assist the processors in adopting the Meat Facility Standard (MFS). Also, a poultry processing manual was developed for provincially-licensed Hutterite poultry slaughter operations to enable them to achieve implementation of the MFS. A Hazard Analysis Critical Control Point (HAACP) DVD was also created that outlines in plain language the 12 steps to implementing HACCP and 7 principles of the HACCP system. Processors were provided with an electronic template that can be used to document food safety and HACCP programs.

Ministry staff delivered a number of courses, created using the Food Safety Initiative funding program, to industry and stakeholders to advance food safety knowledge and awareness. For example, a sausage manufacturing course was offered to approximately 14 Alberta licensed meat plant operators to transfer knowledge about required practices in manufacturing processed meat products. Additionally, an auditor certification course was offered to 71 Alberta industry food safety professionals to increase their knowledge of food safety auditing.

Ministry efforts regarding food safety were communicated through various mechanisms including two Call of the Land radio interviews making direct reference to the safety of Alberta-produced food. Food safety information was also presented though manned displays at events across the province, such as the Calgary Stampede and the Northlands Farm and Ranch Show. Four food safety related Agri-News articles were published and Ministry staff participated in several events and provided 630 food safety strategy information packages.

Goal 3 – The agriculture industry's competitive advantage is advanced through stewardship initiatives and systems.

This goal recognizes that it is the role of the Ministry to enable the industry to innovate, create and capture value, and build competitive capacity by meeting consumer and public expectations for the environment and animal welfare. The agriculture, food and agri-products industry will build on opportunities to realize the benefits associated with production systems that manage risks, address public concerns and improve efficiencies while stewarding Alberta's air, water and land for the well-being of current and future generations.

To achieve this goal, the Ministry will align with the objectives of the Agriculture Policy Framework — Growing Forward, the Water for Life Strategy, the Agriculture Growth Strategy, the Rural Development Strategy, the Land Use Framework and the agricultural components of Alberta's Climate Change Strategy.

DID YOU KNOW?

The Ministry's Geographic Information System supports the premises identification project, the Land Fragmentation Index (as part of the Land Use Framework), the facilitation of cross government spatial data sharing opportunities, GeoPDF map creation within Growing Forward programming and the Alberta Soil Information Centre.

Goal 3 Expense $14.7 Million

Key contributions to achievement of this goal include research conducted to develop improved beneficial management practices for crop and livestock production, technology and knowledge transfer that allows the industry to become more environmentally sustainable and creating benchmarks and performance standards that evidence the sustainability of Alberta's water, air and soil quality. The Institute for Agriculture, Forestry and the Environment was created to identify market-based solutions that increase environmentally sound practices in the renewable resource sectors.

Strategy 3.1:

Enable the agriculture, food and agri-products industry to take actions that increase consumer and public confidence.

The Alberta Environmentally Sustainable Agriculture (AESA) Farm-Based Program has been extended to December 2009, while the Ministry develops a long-term AESA program. In the 2008 – 2009 fiscal year, more than $600,000 was given to non-profit organizations and almost $1.6 million was given to municipally-based Agricultural Service Boards to support environmental programming in 2009 (calendar year) with outcomes that support Alberta Water for Life, Climate Change Strategies and Growing Forward. This work will be reported on in 2009 – 2010. For the 2008 calendar year, the emphasis was on nutrient management, integrated crop management and grazing and riparian management.

At the end of January 2009, final reports for the 2008 AESA program were received from all AESA grant recipients within 46 municipalities and 13 agricultural organizations. These reports outline the number of producers who received information about sustainable agriculture and the number of producers who adopted sustainable agriculture beneficial management practices directly due to the AESA program. This programming was tied closely to the Agricultural Policy Framework (APF). As a tool, AESA staff used the Canada Alberta Farm Stewardship Program (CAFSP) funded by Agriculture and Agri-Food Canada through APF to connect with producers. In 2008 – 2009, 1,077 applications, of the more than 2,500 received, were approved for a total of $5.03 million in funding through CAFSP.

The Ministry, in collaboration with Agriculture and Agri-Food Canada (AAFC) and funding support from Agrium and Alberta Crop Industry Development Fund (ACIDF) completed the first year of a four-year agronomic and environmental research study of effective fertilizer management of the polymer coated urea environmental smart nitrogen versus urea using the 4R principles ("Right Product @ Right Rate, Right Time, Right Place™") to increase nitrogen fertilizer use efficiency, enhance crop productivity, reduce environmental effects and improve competitiveness. The first annual report has been completed and submitted to Agrium and ACIDF.

The Ministry's On-Farm Energy Efficiency Program is evaluating and validating various energy efficiency technologies and will use information to form recommendations for future on-farm assessments, which is aligned directly to carbon credit offsets. Under Growing Forward programming, incentives will be available to producers to adopt technologies that have been validated. Potential energy savings correspond directly to greenhouse gas reduction as part of the Climate Change Action Plan.

The Alberta Irrigation Efficiency Program is a climate change project delivered by Agriculture and Rural Developement on behalf of Alberta Environment under the 2008 Climate Change Strategy. This three-year program, launched in March 2009, is designed to help irrigation producers purchase or upgrade to energy-efficient irrigation systems that will improve water use efficiency, reduce energy requirements and reduce greenhouse gas emissions. During the first three weeks of the program, 28 producers received grants totaling $98,000. Energy and water savings by these producers could total 5.5 million kWh of electricity or 82,000 GJ of natural gas during the 15 year life of the upgraded equipment. Annual water savings could total about 575,000 m^3 per year.

Developing beneficial management practices (BMPs) that are both economically feasible and environmentally sound is very important for the agriculture sector. The Ministry is conducting research and evaluations to assist industry to reduce the detrimental environmental effects of crop and livestock production. The Ministry-led Nutrient Management BMP Research study is assessing the effectiveness and practicality of implementing a variety of BMPs in partnership with agricultural producers in two Alberta watersheds: Indianfarm Creek near Pincher Creek in southern Alberta, and Whelp Creek near Lacombe in central Alberta.

The Ministry is also committed to better understanding the link between agricultural management practices and groundwater quality within agricultural watersheds. In cooperation with the Natural Resources Conservation Board, Alberta Environment and the Universities of Alberta and Saskatchewan, research has been initiated to determine the possible effects of confined feeding operations, including manure storage facilities and manure spreading, on groundwater quality.

DID YOU KNOW?

The new Weed Control Act received Royal Assent in the Legislature and will be proclaimed in fall 2009 along with the Weed Control Regulation that is currently being revised. The original Weed Control Act was one of the oldest and most used pieces of legislation in the province and now has been modernized.

Strategy 3.2:

Work with industry to facilitate innovation and build capacity through the development of targeted science and technology.

The Ministry continues to transfer knowledge and technology to help the industry become more environmentally sustainable. In 2008 – 2009 the Environmental Farm Plan (EFP) program was streamlined for more efficient delivery. EFP programming evolved from the Agricultural Policy Framework to Growing Forward. Three stewardship plans were developed under Growing Forward (for delivery in 2009): Integrated Crop Management, Manure Management and Grazing and Winter Feeding Management. Additionally, On-Farm Energy Management and Farm Water Management programs have been developed for implementation in the 2009 – 2010 fiscal year.

Over the last several years, more than 12,000 Alberta producers have participated in EFP workshops and more than 8,000 have reviewed plans. The workshops and plans developed increased on-farm environmental awareness and helped producers identify risks for their farms. In 2008 – 2009, an additional 148 farmers completed a modified EFP at 22 workshops.

The initial Irrigation Policy Review and Strategy has been rolled into a new water strategy document to facilitate the initiation of an Irrigation and Farm Water Strategy for the Ministry. It was completed mid-December 2008, reviewed by the Ministry's Executive Team in January 2009 and rolled out to staff March 2009.

Ministry staff continue to work closely with Alberta Environment regarding the investigation of the Water Allocation Policy and have developed and are delivering the Working Well Program (water well extension program delivered to producers) in partnership with Alberta Environment. Agriculture and Rural Development has developed its own internal Water Strategy to help guide its involvement and contribution to the Land Use Framework, the Water for Life Strategy and the Climate Change Strategy.

DID YOU KNOW?

There were 25 carbon offset projects registered in 2008, totalling 3.5 million tonnes (5 million tonnes total since 2007). Ten of the 25 were agriculture (no-tillage) projects, which contributed a total of just over a million tonnes of CO2e or 30 per cent of the total market.

Agriculture protocols are now available for the carbon offset market. With funding support from Alberta Environment and the Ministry, the initial scientific review, workshop and standardization of additional potential agricultural carbon-offset protocols were completed (residual feed intake, summerfallow reduction, conversion to perennials, pasture management, native range, straw residue management and nitrous oxide emission reduction). These protocols will provide more opportunities for farmers and ranchers to participate in the carbon offset market.

Alternative or renewable energy also provides opportunities in the Climate Change Action Plan. Technical assistance in support of the Nine Point Bioenergy Program was provided to several developers looking at on-farm biogas facilities. The Ministry, in partnership with the Alberta Research Council, explored biomass as an on-farm energy alternative. A workshop on micro-power generation was held for 150 producers keenly interested in farm-based energy alternatives.

Effective Nutrient Management software tools for agronomic, livestock, economic and environmental decisions by producers continue to be in high demand. For the AFFIRM software in the past year, there were nearly 650 new user downloads from the Ministry website, of which the vast majority are Alberta producers and agriculture industry agents. A newly released Nutrient Management Suite CD will enhance user access to information and software tools. Additionally, Ministry staff collaborated with the counties of Red Deer, Wetaskiwin and Leduc to increase the adoption of liquid manure injection or surface-banded technology and reduce splash plate broadcast application.

The Ministry has taken steps to develop technologies, practices and tools that will increase the efficient utilization of manure and related by-products as a nutrient for crop production. An example of this includes working with industry to determine the agronomic value of digestate (by-product of biogas plant).

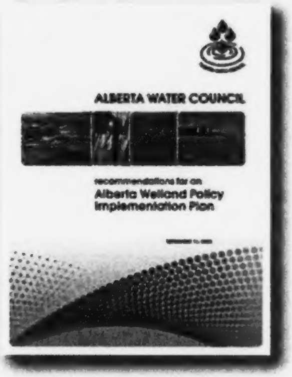
In collaboration with Alberta Pork and Alberta Barley Commission, the Ministry commissioned SNC-Lavalin Agro to conduct a study on the Carbon Life Cycle — Analysis of Pork Production. This study is expected to serve as a basis for the Ministry to work with the pork industry to produce differentiated products based on environmental attributes. The project was funded through the Agriculture Policy Framework.

Strategy 3.3:

Work in partnership with the industry and other stakeholders to develop and implement policy, guidelines and strategies to achieve agreed upon performance standards.

Ministry staff actively participated in the development of the Irrigation Sectors Conservation, Efficiency and Productivity plan as a pilot project for the Alberta Water Council. Ministry staff are also actively participating on the Alberta Water Council sponsored Water Allocation Transfer project team.

The Ministry allocated $1 million in cost-shared infrastructure funding to implement more accurate water measurement technologies by irrigation districts to address the desired outcomes of the Water for Life Strategy related to water conservation and water use efficiency. The Ministry is also a member of the Alberta Water Council and is working with the Council to develop a provincial wetland policy anticipated for release in spring 2009. Ministry staff also actively participate on Watershed Planning and Advisory Councils engaged in state of watershed reporting and integrated watershed planning.


ALBERTA WATER COUNCIL

recommendations for an
Alberta Wetland Policy
Implementation Plan

Ministry staff, as part of the Agri-Environmental Partnership of Alberta have also played an active role in the development of a policy framework that facilitates and promotes bioenergy clusters and continues to recommend policy and engage the agriculture industry regarding ecosystems services.

The Ministry is also participating in the Climate Change Action Strategy for Alberta by encouraging farmers to further adopt no-till cropping practices, increase irrigation efficiency and utilize energy saving practices and technologies.

The Farmer's Advocate (FAO) represented Alberta landowners on the Shallow Fracturing Steering Committee. This was a technical review committee set up and chaired by the Energy Resources Conservation Board. The FAO supported and assisted in the revision of Directive 27 and having industry issue an advisory on the use of toxic fracturing fluids above the base of groundwater.

Strategy 3.4:

Develop indicators of success to communicate progress toward environmental health, animal welfare and competitiveness.

The Ministry provided recommendations on impacts to the agriculture industry for the development of a Cumulative Effects Framework / Environmental Sustainability Act. Ministry data sets were used in the Land Use Secretariat's Framework.

The Ministry was asked to be the lead speaker to present a paper on the successes in Alberta with agricultural offset protocols in a compliance carbon market to the climate change section of the World Congress of Conservation Agriculture, New Delhi, India. Alberta is the first jurisdiction with a compliance market in North America and one of the first globally. Ministry staff have been invited to participate in numerous national and international meetings to further agricultural offsets globally as a viable tool in the mitigation of greenhouse gas emissions.

The Ministry also dedicated resources to assist the Canadian Food Inspection Agency through the provision of input through the National Farmed Animal Health Strategy (NFAHS) that has representation by the provinces and industry. Maintaining close alignment with the NFAHS, Ministry staff continue to work with stakeholders through the Alberta Animal Health Strategic Framework Steering Committee.

Ministry staff are also finalizing a veterinary accreditation program to train veterinarians on risk assessments and best management practices regarding Johne's Disease prevention and control, and are supporting the transition of Alberta's herd status to the National Johne's Disease Prevention and Control Program.

Strategy 3.5:

Provide a framework for development and implementation of market-based solutions that support a competitive advantage through the use of environmentally sound management systems.

The Institute for Agriculture, Forestry and the Environment (IAFE), a Government of Alberta (GOA) initiative supported by Agriculture and Rural Development, Advanced Education and Technology, Environment, Sustainable Resource Development and an external board, chaired by Dr. Ken Nicol, is making good progress on the development of a market-based policy framework for the enhancement of ecosystem services in Alberta. This framework is intended to assist the GOA in achieving its objective of greening Alberta's growth. The IAFE brings together the agriculture and forestry industries to play a major role in enhancing the province's environmental performance and is expected to assist Alberta in turning good ideas into new business models that will deliver natural resource products and services to the global market, competitively and efficiently.

In a year focused on accessing expert advice and the knowledge of others, the IAFE hosted an International Think Tank and directed a number of studies focusing on market approaches to improving environmental performance. As a result, the policy framework and associated implementation plan are on track for delivery to the Government of Alberta in early 2010.

Ministry staff contributed significantly to the Land Use Framework (LUF), a cross-ministry initiative, through the provision of expertise, data and information support for the development for regional profiles. Longitudinal data for Alberta (based on the Census of Agriculture) as well as crop production data (e.g. acres, yield) were provided for the development of the Lower Athabasca Regional Plan.

Ministry staff also provided comprehensive input into the LUF legislation to ensure Ministry interests were represented and drafted a discussion paper for Ministerial review regarding LUF potential policy issues and options.

Core Business Two: Building Capacity and Managing Risk

This core business:

- Relates to the government priority: **Build a stronger Alberta.**
- Provides effective programs for industry sustainability and growth
- Provides risk management tools and training
- Promotes strong rural community capacity

Core Business Cost $1,136.8 Million

Goal 4 – Strengthened Rural Communities

This goal recognizes that vibrant and sustainable rural Alberta communities with increased human and business capacity contribute to a prosperous province. The Ministry will achieve this goal by working with various organizations such as 4-H, agricultural societies, agricultural service boards and with industry to strengthen individual skills, facilitate development of necessary supportive community infrastructure and networks, and nurture business and leadership skills for rural businesses and community organizations. Achievements in these areas will enable rural Albertans to be more responsive in meeting opportunities and challenges in changing market environments.

The Ministry will also achieve this goal through providing support to Rural Alberta's Development Fund and by implementing the priorities of *A Place to Grow*, Alberta's Rural Development Strategy, in collaboration with other Ministries and stakeholders.

Goal 4 Expense $47.4 Million

Key contributions to achievement of this goal include providing training and leadership to rural community and business leaders. Assisting with rural business diversification and contributing to planning of future rural development will also strengthen Alberta's rural communities.

Strategy 4.1:

Support the development of rural organizations and facilitate partnerships among industry, government and stakeholders through providing guidance, governance training and financial assistance.

On October 1, 2008, the Minister of Agriculture and Rural Development signed a Memorandum of Understanding (MOU) on Rural Development with the Government of British Columbia. The MOU expresses the commitment of both governments to rural communities. The Ministry represents Alberta at joint provincial meetings to explore opportunities to collaborate on priority projects and share information, ideas and best practices regarding the diversification of rural and regional economies and to improve the overall socio-economic health and sustainability of rural communities.

The Ministry collaborated on rural issues with the federal Rural Secretariat through the Canadian Rural Partnership and continues to move forward on a new Partnership Framework. The Ministry also strengthened relationships and connections with rural Alberta by appointing a key Ministry contact for most of the 69 agricultural service boards across the province.

Ministry staff also participated in the Aquaculture Development Committee with Lethbridge Community College. The Committee's role is aimed at long-term planning to develop a viable aquaculture sector in Alberta that is responsive to current consumer demands, sustainable and will contribute to rural development and diversification.

Strategy 4.2:

Support the development of essential utility and community infrastructure best practices to enhance community capacity through the administration of grant programs, compliance frameworks and educational programs.

The Ministry provided $10.5 million to agricultural service boards to support delivery of municipal projects, programs and services as well as the enforcement of legislation related to both weed and pest control and soil and water conservation.

DID YOU KNOW?

$1,000 was the maximum grant provided to ASBs in 1945. During the 1960's, the maximum rose to $3,000. By 1971, the figure was $11,000. In the early 1980's grants peaked with boards delivering larger programming receiving over $100,000.

The 286 agricultural societies throughout the province benefited from a total of $8.67 million in grant funding. As a result of this funding, leadership and training activities occurred, community facilities were constructed and upgraded and agricultural activities were enhanced. Additionally, $2.68 million dollars was provided through the Agricultural Initiatives Program to agricultural societies and other not-for-profit organizations with objectives related to agriculture and rural development. Agricultural societies received $1.56 million dollars and not-for-profit organizations received the $1.12 million dollar balance. These funds supported 88 community-initiated projects that facilitated an improved quality of life for members of agricultural communities.

Rural utility grant funding was also provided to rural businesses and residents. Through this funding program, $1.092 million in heating rebates was provided to Albertans residing in remote communities to help reduce the high costs of propane and heating oil. Additionally, $4.76 million was provided to help lower the cost of installing almost 4,000 natural gas services. The Ministry also provided $1.15 million in grant support to help lower the cost of constructing 429 rural electric services to Alberta farmers.

Strategy 4.3:

Provide skill development and leadership training for youth and adults actively engaged in agriculture, community organizations and rural businesses.

Green
CERTIFICATE
Agricultural Training

The Green Certificate Program enrolled 490 trainees (mainly high school students) and certified 403 trainees in 2008 – 2009. This program creates opportunities for students to gain experience through an apprenticeship-style of learning in an agriculture-related business. A new curriculum, Equine Level 1, was developed and two existing curriculums updated.

The Ministry continues to explore and create alternative modes for delivery of educational resources that facilitate practice change by the agriculture and agri-food industry. Two blended learning resources included Farmer Pesticide Course CD-ROM and Effective Board Meetings CD-ROM.

The Ministry supports agriculture education through a sustainable network of educators. This education has been provided to Alberta teachers through the "Ag Ambassador" newsletter and through presentations/professional development events. Agriculture education is also supported through Alberta Education's curriculum; new agriculture courses for career and technology studies in high school were developed, and agriculture specific topics will be part of the new Kindergarten to Grade 6 science program.

Through Ministry programs such as Alberta 4-H, today's youth and the adults who mentor them are given the opportunities to learn and grow. In 2009, Ministry programming engaged 2,457 members and 425 leaders, and of these members and leaders, 91.4 per cent reported increased learning and skill development. A province-wide initiative, "Year of the Club" was a major focus in 2008 – 2009 with the findings from the project providing members and leaders with a renewed perspective on 4-H and re-energized club dynamics.

DID YOU KNOW?

The name "4-H" came into general use after World War I; the H's stand for head, heart, hands and health.

Ministry staff also developed a creative educational approach to communicate science information about laying hen housing, physiology, husbandry and the future of the industry to table egg producers, the majority of whom had minimal secondary and post-secondary education. Almost 99 per cent of the audience felt that "CLUCK – The Science Behind the Hen House Doors" provided good or excellent entertainment value, and 99 per cent of the attendees felt the program provided good or excellent educational value and that they would attend a similar event in the future.

In 2008 – 2009 the Safety Smarts program, which offers age-appropriate, hands-on safety lessons to students from Kindergarten to Grade 6, went Alberta-wide. This expansion to the farm safety program makes Alberta the first province to offer province-wide rural safety training for children. With the help of a three-year, $360,000 grant from Alberta Agriculture and Rural Development, four new Safety Smarts instructors were hired to allow us to reach more children in the province.

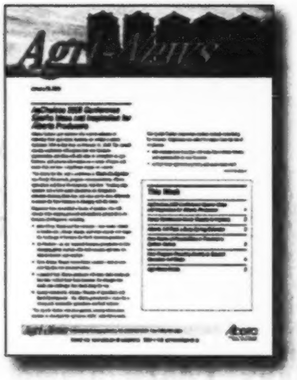
Strategy 4.4:

Facilitate the growth and development of diverse agricultural and rural businesses and their networks.

In 2008 – 2009, AFSC assisted 1,398 rural businesses with direct loans totaling $268 million, which resulted in excess of $437 million of leveraged investment. AFSC has various farm and commercial programs designed to ensure reasonable access to capital in support of diverse agricultural and rural business opportunities.

The Ministry also delivered the Agriculture Opportunity Fund. This $1.5 million fund leveraged additional investment in projects throughout rural Alberta through various industry organizations.

Rural businesses and organizations are provided opportunities to facilitate business networks with assistance from the Ministry. The Ministry website Ropin' the Web, the radio show Call of the Land and various other media such as the weekly Agri-News package have allowed rural businesses to become more informed regarding opportunities that will assist in growing their businesses.



Strategy 4.5:

Coordinate and lead the implementation of the next phase of A Place to Grow, Alberta's Rural Development Strategy with a focus on opportunities and community capacity building in rural Alberta.

The Ministry continues to champion rural development in Alberta. All Government of Alberta Ministries share responsibility in implementing A Place to Grow, Alberta's Rural Development Strategy, which includes economic growth, community capacity, quality of life and infrastructure, health care and learning and skill development. Agriculture and Rural Development co-leads a cross-government Assistant Deputy Minister's Committee on Rural Development with Alberta Finance and Enterprise to ensure rural development issues, strategic priorities and government responses are coordinated and moving forward.

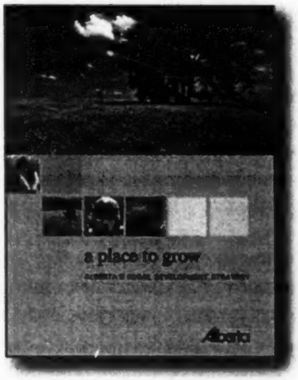
In 2008 – 2009, $2.4 million was committed to nine projects under two new rural development grant programs totaling $24 million with funding made available through the federal Community Development Trust.

- The $15 million Rural Community Adaptation Grant Program supports community-led transition projects that increase the capacity of rural communities and regions to transition and adapt, resulting in greater resilience and new, more diverse economic opportunities.
- The $9 million Community Broadband Infrastructure Pilot Program provides grant funding assistance to rural and remote communities for community-led broadband projects and related skill development and training initiatives. A cross-ministry committee was established to ensure program collaboration and input.

The Ministry continues to work closely with and provides government oversight to Rural Alberta's Development Fund (RADF) activities. This work includes coordinating cross-ministry Government of Alberta input to projects being considered by the RADF Board for approval, providing advice to the RADF strategic plan and performance measurement and reporting approach and reviewing the RADF's performance report. In the 2008 – 2009 fiscal year, Rural Alberta's Development Fund approved $26.7 million for 22 projects in rural Alberta.

The Ministry also continues to support and advance a number of rural initiatives with partners and stakeholders. The Alberta Urban Municipalities Association was assisted by the Ministry in implementing the First Impressions Community Exchange project. Fourteen rural Alberta communities participated, and received positive feedback on the project and on opportunities for community economic development. Additionally, funding of $97,500 was provided to the Alberta Association of Municipal Districts and Counties to conduct a rural broadband gap analysis.

The Business Vitality Initiative was piloted in four rural Alberta communities to improve their entrepreneurship and business readiness. Support provided to partners such as Communities Without Boundaries and the Palliser Economic Partnership, allowed rural Albertans to share information and experiences. Also, a partnership with the Business Link initiated a business succession planning project for rural businesses.



a place to grow

Alberta

RURAL
ALBERTA'S
DEVELOPMENT FUND

Rural Alberta's Development Fund is a not-for-profit company incorporated in 2006 under Part-9 of the Companies Act **(Alberta). It was created to fulfill a commitment by the Government of Alberta to support communities, regional alliances, government departments and not-for-profit organizations in kick starting community-building projects that would contribute to the growth and prosperity of rural Alberta.**

Goal 5 – Effective Risk Management

This goal recognizes that risk is inherent at the individual business level and can affect overall industry performance and growth. This goal addresses risk arising from a broad range of sources including production, as affected by weather extremes, pests and diseases; product pricing, as affected by unforeseen shifts in local and global markets and technical, regulatory and competitiveness issues. The Ministry will achieve this goal by providing information, programs and services to business managers within the agricultural industry in the area of risk management and emergency preparedness.

Goal 5 Expense $1,089.4 Million

This goal is manager-driven with Ministry staff and industry partners focusing on providing appropriate and relevant information and training to agricultural business managers. The manager makes the decisions, not government on behalf of the manager.

Key contributions towards achievement of this goal include the development and enhancement of financial and weather-related risk management tools. Continued partnerships with other provincial governments, the federal government and industry organizations will assist in increased farm safety and better risk management decisions for individual businesses.

Strategy 5.1:

Support business risk management decisions in the primary and value-added sectors by determining information needs and collecting, developing and disseminating data and information.

The tri-annual Risk Management survey, released in June 2009, provides measures relative to Ministry goals and strategies plus provides valuable insight into producers risk management activities and needs.

The Ministry and AFSC partnered with Agriculture and Agri Food Canada, Alberta Environment, Environment Canada and Alberta Sustainable Resource Development to expand the provincial meteorology network to a total of over 269 stations in agricultural regions of Alberta. Of this total, 118 stations are managed by the Ministry. This is one of the largest provincially operated near-real-time networks in the country. This meteorology network provides quality assured weather information for functions such as drought monitoring, flood forecasting, moisture-based crop insurance, irrigation scheduling, crop disease forecasting, crop reports, disease modeling and climate change analysis. Third-party users include AFSC, irrigation districts, Potato Growers of Alberta, wind and solar prospecting companies and private insurance companies.

Targeted insect pest forecasts for the 2009 crop year were completed and posted on the Ministry website, Ropin' the Web. Pest monitoring activities result in savings to producers, better pest management procedures and increased crop quality. Knowing which pests, such as Bertha Army Worms or grasshoppers, are in outbreak situations allows producers to make management decisions based on economic thresholds.

Ministry staff facilitated CEO Clubs in Calgary and Edmonton to provide processing business leaders a regular forum to share best business practices and discuss issues facing food manufacturers. Nineteen participating businesses collaborated to address freight consolidation opportunities, workforce development and supply management.

The Ministry also conducted a monthly survey in over 16 locations across Alberta to monitor prices for 53 selected farm inputs. The information was distributed to over 225 clients across the province, including industry representatives, government officials and financial institutions. This updated data assisted various clients in making informed risk management decisions.

The Ministry also partnered with Alberta Finance and Enterprise, financial institutions and educational institutions to offer three business development forums for processors and producers on creative solutions to accelerate their business. Approximately 250 business managers received information on managing smarter, growing their bottom line, work/life balance and strategic planning.

Strategy 5.2:

Assist the primary and value added sectors with the identification, measurement and management of risk through the provision of information and training and encouraging the use of analytical tools and programs.

Ministry staff conducted industry-sponsored business and risk training for agri-business managers and leading edge producers. Staff worked with marketing clubs and beef and forage associations to promote improved market and business risk management.

The Ministry also partnered with Alberta Finance and Enterprise, financial institutions and educational institutions to offer three business development forums for processors and producers on creative solutions to accelerate their business. Approximately 250 business managers received information on managing smarter, growing their bottom line, work/life balance and strategic planning.

The Farmers' Advocate Office (FAO) continued to collect and publish pricing data for well sites and pipelines. Collaborating with industry and the Ministry, the FAO published data for loss of use, adverse effect, general disturbance, pipeline values and land values.

Strategy 5.3:

Design and deliver business risk management programs through the Agricultural Policy Framework Agreement.

AFSC, in collaboration with Ministry staff and the Alberta Livestock and Meat Agency Ltd., will introduce a Cattle Price Insurance Program for fed cattle and feeder cattle that incorporates price and/or "basis" risk options to reduce costs and risks to producers. The coverage levels and premiums will adjust to market conditions on a daily basis with coverage periods of 12 to 36 weeks being offered.

After consulting with Alberta's beekeepers, AFSC will be implementing a program to cover producers against bee overwintering losses in 2009. AFSC also implemented some crop insurance program enhancements for 2009 including changes to the reseeding and unseeded acreage benefits to reflect increased input costs, production insurance for camelina and canary seed, offering pedigreed seed coverage on additional crops and removal of the bottom end deductible for honey insurance.

Ministry staff worked actively with partners to develop the Bilateral Agreement, signed in March 2009, for Growing Forward Programming, resulting in an integrated suite of cost-shared agricultural programming, made available for delivery on April 1, 2009.

Producers continue to view production insurance as an important risk management tool with 12.5 million acres of production and $2.7 billion in risk insured on annual crops, and 6.7 million acres of production and $89.1 million in risk insured on perennial crops. In 2008 – 2009, production insurance claims for annual crops (including hail endorsement) totaled $254.9 million, up from $229.1 million the previous year. This increase was largely due to a record number of hail claims in the 2008 growing season. Claims for perennial crops totaled $6.6 million, down from $13.3 million the previous year due to good moisture throughout the growing season.

Strategy 5.4:

Develop programs, when appropriate, that respond to significant events impacting business sustainability.

The Alberta Seed Potato Assistance Program, through Agri-Recovery, responded to the border closure as a result of potato cyst nematode. The program provided $16 million to 39 producers who were affected and had to destroy their inventory.

Alberta Farm Recovery Plan II was designed and delivered to Alberta producers in the livestock sector to address rising feed costs. Alberta producers received $300 million in transitional funding under this program. This initiative was also linked to the Alberta Livestock and Meat Strategy and provided an incentive to encourage producers to age verify, as well as undertake premises identification.

The Ministry developed a response plan for the Alberta Drought Risk Management Plan (ADRMP). ADRMP was updated with stakeholder input and clearly outlines the relationship between drought, climate change and extreme weather.

Technical support of the Canada-Alberta Farm Water Program continued in 2008 – 2009. This program offered financial assistance to producers who developed long-term farm water supplies. Additionally, as part of the Growing Forward initiative, an On-Farm Water Supply Program was developed. This program provides financial assistance for the implementation of producer-developed Long-Term Water Supply Management Plans.

The Ministry continued to provide the short-term emergency Water Pumping Program to help producers obtain water supplies during dry periods. More than 400 producers throughout Alberta accessed the Water Pumping Program to mitigate seasonal water shortages.

Strategy 5.5:

Ensure that the Ministry has plans in place to fulfill its obligations under the Emergency Management Act and regulations.

In the agriculture and food industry, risk can arise from a variety of sources including production, as affected by favorable growing conditions or extremes in the areas of weather, pests and diseases, product pricing as affected by stability or unforeseen shifts in local and global markets, and technical and regulatory issues that either enhance or impede industry competitiveness. In addition to the provision of information, programs and services to business managers to allow them to identify, manage and mitigate risks, the Ministry also focuses on ensuring its obligations are met under the province's *Emergency Management Act.*

Preparing for and responding to emergencies in the agriculture and food industry are critical step in ensuring competitiveness and sustainability. Ministry staff continue to work closely with the Alberta Emergency Management Agency and have provided input to Alberta's Emergency Response Plan, ensuring the Ministry and its responsibilities are appropriately represented. The development of a departmental consequence management plan is underway with an anticipated completion in fall 2009.

The Alberta Emergency Management Agency (AEMA) leads the co-ordination, collaboration and co-operation of all organizations involved in the prevention, preparedness and response to disasters and emergencies.

This ensures the delivery of vital services during a crisis. These organizations include government, industry, municipalities and first responders.

The Alberta Emergency Management Agency is accountable and responsible to our government

Performance Measures Methodology

Core Business One: Facilitate Sustainable Industry Growth

GOAL 1

SUSTAINABLE GROWTH OF THE FOOD AND NON-FOOD AGRICULTURE INDUSTRY

1.a Number of value-added products developed and successfully introduced to market with assistance from Agriculture and Rural Development.

Data was supplied by the Food Processing Development Division and the Rural Extension and Industry Development Division.

A product development activity encompasses projects where Ministry staff assisted industry clients in one or more of the following areas: product formulation, shelf-life, packaging, sensory evaluation, marketing and commercialization. The phrase "introduced to market" refers to a product that has obtained a listing at retail or food service, domestically or internationally. The term also includes products that have been sold as ingredients for further manufacturing. Value-added products include value-added food, beverage and bio-industrial products.

Calculation method

The result for this measure is the total number of written confirmations provided by industry clients for products that were developed with assistance from the Ministry and successfully introduced to market from April 1, 2008, to March 31, 2009.

Data limitations

The successful launch of new products may take several months after new product development work is completed.

This timing may result in some products being recorded in a fiscal year subsequent to the year in which the product development work occurred. Information reported by industry clients regarding the market success of their products is not confirmed by a third party source.

There is also no weighting done in terms of value; that is, the measure simply reports the number of products introduced to market and does not attempt to quantify the value of sales generated. No attempt is made to measure indirect efforts with industry clients by Ministry staff that may have resulted in a value-added product.

1.b Research and development investment by collaborators leveraged through Ministry resources.

The result was collated from data supplied by seven divisions that are involved in research and development activities: Agriculture Research Division, Food Safety Division, Irrigation and Farm Water Division, Economics and Competitiveness, Food Processing Development Division, Bio-Industrial Technologies Division and Environmental Stewardship Division. The Ministry's Policy, Strategy and Intergovernmental Affairs Division prepares a report annually on Ministry research and development and related scientific activities.

A standardized questionnaire, with detailed supplementary instructions, is used to collect information on a division's fiscal year research and development expenditures and corresponding levels of funding from private and public sources. The questionnaire specifically requests data on the expended amount received from outside sources. Items included in the expended amounts are payments with respect to capital equipment, miscellaneous items and the temporary staff hired (scientist, technical and professional).

Calculation method

The performance result for this measure is the sum of the expended amount from both private industry and government collaborators.

Data limitations

Data on in-kind contributions from collaborators are not included in the calculation of this measure. As a result, the performance result likely understates the true amount of leveraged resources invested by collaborators. In-kind contributions are less reliable as they are based on estimates that can be subjective in nature.

1.c Total leveraged investment in agri-industry businesses (farm business and agri-business) facilitated by Agriculture Financial Services Corporation (AFSC) lending services ($ million).

In addition to direct lending products that can result in investment, AFSC also has a number of alliance partnership arrangements with several organizations that help facilitate investment in agri-businesses.

Farm business and agri-business investments in both rural and urban areas are added up and reported as total dollar investment. The investment from all sources are included, whether it is direct from AFSC, other sources of debt, business owner's equity or investment by a third party. Farm business (direct loans only) and agri-business lending amounts are reported through AFSC's computer system and summarized by year.

Calculation method

The total amount of loans approved for agri-business and farm operations is reported as a proxy for total leveraged investment in agri-industry businesses facilitated by AFSC lending services. This amount excludes all loans that were approved in 2008 – 2009 and subsequently cancelled or withdrawn on or before June 22, 2009.

Data limitations

Total dollar investment in agri-business and farm loans is a proxy value for investment based on loans approved. Values reported are affected by timing differences between approval and disbursement of loans approved. As well, not all approved loans are disbursed.

2.a Percentage of Alberta licensed abattoirs that have added a preventative system to their existing food safety system. Red Meat – Meat Facilities Standard.

All Alberta licensed abattoirs receive a Meat Facilities Standards (MFS) audit once a year under the MFS Audit Program. Abattoirs that receive rating levels 1 – 3 on a six-level compliance scale are deemed to have implemented additional food safety systems and processes. Preventative systems may be Hazard Analysis Critical Control Points (HACCP) systems or HACCP-based systems. HACCP and HACCP-based food safety systems provide a systematic, preventative program for the identification and control of food safety hazards.

Calculation method

The result for this measure is derived by dividing the number of Alberta licensed abattoirs that have implemented appropriate food safety process control systems as of March 31, 2009, by the total number of Alberta licensed abattoirs as of April 7, 2008. Data on Alberta licensed abattoirs that have implemented appropriate food safety process control systems is obtained from audit records held by the Regulatory Services Division.

Data limitations

The implementation of additional food safety systems and processes is voluntary, and market drivers will continue to influence adoption rates until HACCP and HACCP-based food safety systems become a mandatory requirement.

2.b Number of Alberta food processing facilities participating in the Alberta HACCP Advantage Program (cumulative).

Preventative systems may be Hazard Analysis Critical Control Points (HACCP) systems or components. HACCP systems provide a systematic, preventative program for the identification and control of food safety hazards. Data on provincially-licensed meat and dairy processing plants is obtained from the Regulatory Services Division audit records.

Calculation method

The cumulative result was derived by adding the total number of Alberta licensed food processing plants that implemented appropriate food safety process control systems in the 2008 – 2009 fiscal year to the cumulative total reported in the 2007 – 2008 Agriculture and Food annual report.

Data limitations

None

DID YOU KNOW?

30 full-time Ministry meat inspectors received training in Hazard Analysis Critical Control Point (HACCP) at Guelph Food Technology Centre in 2008 – 2009.

GOAL 3:

THE AGRICULTURE INDUSTRY'S COMPETITIVE CAPACITY IS ADVANCED THROUGH STEWARDSHIP INITIATIVES AND SYSTEMS.

DID YOU KNOW?

Alberta sales from supermarkets, convenience/specialty food stores and beer/wine/liquor stores were $11.5 billion in 2007. Sales from food services and drinking establishments were $6.5 billion.

3.a Percentage of producer survey respondents who have adopted improved environmentally sustainable agriculture practices.

A formal survey, including telephone surveys and written responses, of approximately 500 producers is conducted every three years. This survey assesses awareness, attitudes and adoption of environmentally sustainable agriculture (ESA) practices and any effect that the Alberta ESA program may have had.

The sample population for this survey is now based on a subscription list of commercial farmers maintained by Farm Business Communications. Five hundred randomly selected farmers participated in the telephone survey, and 229 (45%) of these completed a follow-up mail survey. The margin of error for a sample size of 500 is ± 4.4%, while the margins of error for the regional samples of 100 are ±10.0%. In other words, if this survey were conducted 20 times, the responses would be within the stated margins of error 19 times out of 20. For the mail portion of the survey, a sample size of 229 yields a margin of error of ±6.6%.

Data analysis consisted of grouping the data by region, gross farm revenue, farm type, stage of farm operation, farmer education and training and attitude cluster.

Cluster analysis is a statistical technique used in market research to group or segment respondents into "like" categories based on their pattern of response to the series of 25 attitude statements asked on an agree/disagree scale. In this case, a seven-point scale was used, and three clusters were identified.

Calculation method

The calculation steps are as follows:

- Determine the number of eligible environmentally sustainable agricultural practices adopted by each respondent, based on farm type, farm site characteristics and operation practices.
- Average the frequencies of eligible practices adopted by respondents, adjusted by appropriate weighting factor (income and region).

The result from the second bullet is expressed as a percentage and reported under Performance Measure 3.a.

Data limitations

None. The survey is statistically sound, and margins of error are reported in the survey report.

3.b Number of producers provided with specific training and technical support to enable development of environmental farm plans.

The environmental stewardship planning sessions provide opportunities for Alberta producers to learn more about best environmental management practices and develop their farm-specific environmental farm plan (EFP). The implementation of EFPs will result in improved environmental practices on Alberta farms.

Producers are required to participate in an enhanced training workshop to enable them to develop an EFP for their farming operation. The enhanced training workshop combines Workshop I and II of the prior years. This training is provided by the Alberta Environmental Farm Plan (AEFP) Company, through financial and technical support from Alberta Agriculture and Rural Development and AAFC.

Calculation method

The cumulative result was derived by adding the total number of participants who completed an enhanced workshop in 2008 – 2009 under the Alberta Environmental Farm Plan Program as reported by the AEFP Company to the cumulative total reported in the 2007 – 2008 Agriculture and Food annual report.

Data limitations

None. This is a cumulative total, based on the annual report for the AEFP Company. Information in the annual report is auditable and forms the basis for operational payments from AAFC to the AEFP Company.

DID YOU KNOW?

Alberta dairy producers generated $426.8 million in farm market receipts or 5.5 per cent of the Alberta total. Farm market receipts from the province's poultry and egg industry (including hatcheries) were $225.5 million or 2.9 per cent of the Alberta total.

CORE BUSINESS TWO: BUILDING CAPACITY AND MANAGING RISK

4.a Total investment leveraged in rural businesses facilitated through Agriculture Financial Services Corporation (AFSC) lending services.

Access to loans is critical in developing and expanding rural businesses, which positively contributes to strengthening rural communities. Rural businesses are any businesses outside Edmonton or Calgary. AFSC has direct lending products that can result in investment, as well as a number of alliance partnerships to help facilitate investment in Alberta business.

Calculation method

Farms and commercial business investments in rural areas (all sources are included whether it is direct from AFSC, other sources of debt, business owner's equity or investment by a third party) are added up and reported as total dollar investment.

The calculation for this measure is a summation of incremental investment in rural Alberta business from all sources, as reported in AFSC's records, excluding loans that were approved in 2008 – 2009 and subsequently withdrawn or cancelled on or before June 22, 2009.

Data limitations

Total dollar investment in rural businesses is a proxy value for investment based on loans approved. Values reported are affected by timing differences between approval and disbursement of loans approved. As well, not all approved loans are disbursed.

4.b Number and percentage of Ministry-supported, agricultural-related community activities that focus on leadership development .

Data for this measure is collated from three program areas: Agricultural Society Program, 4-H Program and Agricultural Initiatives Program. The Agricultural Society Program collects information on activities, volunteer hours and attendance from individual agricultural societies by means of a voluntary report form.

The 4-H program offers a variety of events and learning opportunities for rural youth and adults. 4-H staff collect data for each program event, including the number of attendees. This data is reported quarterly in reports submitted by 4-H staff on their programs. All 4-H program events were submitted under its overarching objective of leadership development.

The Alberta 4-H leadership development programs provide learning opportunities for both youth and adults in rural communities to nurture and improve skill sets needed to strengthen rural communities. Skill sets of priority to 4-H include leadership, managerial, public speaking, economic development and environmental sustainability. These skills are important in supporting vibrant and sustainable rural communities

The Agricultural Initiatives Program applications were categorized into the five priority areas listed under the calculation method.

Calculation method

Related data from the Agricultural Society Program, 4-H Program and Agricultural Initiatives Program were reviewed and then entered into the AgSocactivities database. These agricultural-related community activities were then aggregated into five priority areas:

- **Agriculture-related activities** – refers to activities such as rodeos, fairs and livestock shows.
- **Agri-business development** – includes any activities that promote agricultural business development and the development of the agriculture industry.
- **Ag education and skill development** – includes programs or projects that foster awareness of agriculture or improve/develop skills within the community.
- **Leadership development** – includes training for volunteer staff, providing funding for conferences, workshops, seminars and sponsoring youth leadership development.
- **Community improvements** – includes any capital funding for infrastructure development and renovations, repairs and maintenance of infrastructure and operating costs of facilities as well as all capital projects from the Agricultural Initiatives Program grant program.

A simple count is used to obtain the aggregate number of all agricultural-related community activities under the five priority areas.

The total of leadership development activities divided by the total number of activities under the above five priority areas and then expressed as a percentage is reported under the second part of the measure.

Data limitations

Leadership skills take years to develop and nurture, and the results of the effective use of those leadership skills may take years longer to manifest. Therefore, it is very difficult to measure outcomes on an annual basis. As such, this output measure only demonstrates the Ministry's accomplishment in providing developmental opportunities for rural Albertans to develop their leadership skills.

DID YOU KNOW?

Grains and oilseeds accounted for 35.1 per cent of Alberta's total crops and livestock market cash receipts.

4.c Number and percentage of rural youth and adults participating in Ministry-supported programs that report effective learning from those programs.

Ministry-supported 4-H programming includes all 4-H programs and events coordinated, supervised and initiated by Department staff. The 4-H Branch has been using KASA measurements for a number of years: KASA measures positive changes in Knowledge, Attitudes, Skills and Aspirations.

The measure provides assessment on the appropriateness and effectiveness of 4-H programs. The results of this measure provide ideas on how to better manage and improve current and future 4-H programs. Each program is designed to meet different objectives. In total, 20 objectives have been defined, including personal development and self esteem, enhancing environmental sustainability, learning communication and presentation skills, demonstrating technology transfer as well as community and farm management. All 20 of these defined objectives were used to derive the performance information for this measure.

Calculation method

The data for this measure is obtained through the use of written evaluations for each program. The target audience and the objective of the individual program determine the type of questions selected from the menu of questions for assessing KASA. The summary results are compiled and stored electronically in a database, with the hard copies stored separately. Each question on the survey has four possible answers: Yes, No, Unsure, Not Applicable (NA) or a short response. A "Yes" response is considered to be a positive change; a "No" or "Unsure" is not considered a positive change. An "NA" is not considered in the response calculation. Answers to the short response questions are considered positive if they are answered with a definite response (for example, The skill I learned was...). If there is no answer or a nonsense answer (multiple answers selected), the response is considered to be negative.

A simple count is used to obtain the number of rural youth and adults participating in Ministry-supported programs and reported under the first part of this measure.

The percentage of rural youth and adults participating in Ministry-supported programs that report effective learning from those programs was derived from frequency analysis. The average percentage for each objective is obtained by averaging across all activities. The average percentage score for each objective was further aggregated to a single performance result and reported in the second part of Measure 4.b.

Data limitations

Completion of evaluations is voluntary, but historically, most programs have a very high return rate. A small portion of the 4-H members may reside in urban centres. The performance result is not weighted, and differences in the number of survey respondents across events could affect the reported result.

EFFECTIVE RISK MANAGEMENT

5.a Percentage of agricultural business managers surveyed indicating the use of risk management tools for improved decision making.

For the purpose of this measure, "agricultural business managers" refers to active primary producers in Alberta who are most responsible for their farms and whose gross income was $50,000 or more in 2008.

A risk management tool is defined as an analytical process or a decision aid used to identify and measure risk and to assess alternative response strategies, technologies and practices.

Data was collated from the 2009 Risk Management Survey, an agricultural risk management survey prepared for the Ministry's Policy, Strategy and Intergovernmental Affairs Division by Serecon Management Consulting Inc. Respondents for the 2009 Risk Management Survey were selected from a purchased list of commercial farmers maintained by Farm Business Communications (publishers of several prominent farm periodicals) as well as an internet search of small commodity producers. It is assumed that farmers on this list are representative of the general population of Alberta farmers.

The sample results were weighted by region and income to reflect the distribution based on the 2006 Census of Agriculture survey. In some cases, the sample results were weighted only by region as a small number of respondents confirmed only the minimum income threshold but not the income grouping to which they belong.

Calculation method

A frequency analysis was used to calculate a benchmark for this measure. The calculation is the product of the following:

- The number of respondents that indicated the use of at least two of options 1, 2, 4 and 5 in Question 25 of the survey, *and*
- The number of respondents that in Question 26 of the survey indicated "great" or "some" improvement in their "ability to make better risk management decisions."
- The product of these two numbers is the proposed benchmark.

Options 1, 2, 4 and 5 were selected to represent a more sophisticated level of risk management decision-making than would be the case if all seven options were included. Six hundred and eighty-seven randomly selected farmers participated in the telephone survey. Statistical calculations related to the measure have a margin of error of ± 3.8% at the 95 per cent confidence interval.

Data limitations

Data limitations include non-subscribers to Farm Business Communications (the source of the original survey list), non-contactable subscribers (due to privacy legislation compliance), unreachable sample (due to wrong telephone numbers, answering machine, busy, no answer, etc.) and non-response, disqualification due to failure to answer screening questions.

DID YOU KNOW?

Alberta is the largest cattle producing province in Canada. It led the nation in estimated cattle and calf inventories with 5.6 million head at January 1, 2008.

Question 25

Do you use any of the following management tools to support decision-making in managing risk? (Only relevant options are listed below)

1. Manual budget calculations
2. Self-developed computer spreadsheets
4. Farm-level financial/ budgeting/projection tools
5. Enterprise or commodity budgeting tools

Question 26:

Overall, to what degree have these tools improved your ability to make better risk management decisions? Would you say a...

1. Great improvement
2. Some improvement
3. No improvement
4. Or are you uncertain?

5.b Percentage of eligible seeded acres for major crop categories insured under Production Insurance for annual crops and perennial crops.

The term annual crops refers to crops seeded every year, while perennial crops refer to those that do not need to be seeded every year but last for several years. "Eligible crops" are insurable under the Crop Insurance program.

Data for this measure is collected from three sources: 2006 Census of Agriculture (Statistics Canada), Agri-Food Statistics Update No. CR08-5 dated December 19, 2008 (supplied by Statistics Canada and prepared by the Statistics and Data Development Unit, Alberta Agriculture and Rural Development), and the Production Insurance Program Management System (Agriculture Financial Services Corporation).

Calculation method

The total eligible seeded acres for each crop category (annual and perennial) insured under the Crop Insurance program is divided by the corresponding total eligible seeded acres as reported by Statistics Canada, and expressed as percentages.

Data limitations

The Census of Agriculture is collected every 5 years so acres may change during that time.

5.c The percentage of Alberta farm cash receipts represented by Alberta participants in the AgriStability Program.

AgriStability is a risk management program administered by Agriculture Financial Services Corporation (AFSC). AgriStability participants are those that have elected to participate in the program by filing an options notice and have supplied tax information and supplementary information by the appropriate deadlines. Farm cash receipts include market cash receipts, program payments and inter-farm sales. AgriStability data includes all information up to the date it was extracted, May 31, 2009.

Calculation method

Data for this measure was collated from two sources, Statistics Canada and the AgriStability Program Management System, a secured program management application, accessible only by AFSC staff. Program summary data was provided by AFSC, Lacombe.

To determine the reported result, the total amount of farm cash receipts represented by AgriStability participants in Alberta is divided by the total farm cash receipts for Alberta. The figures are based on the 2007 farm financial information as reported to the Canada Revenue Agency.

Data limitations

Information provided by Statistics Canada is a preliminary estimate and may change slightly as more data is accumulated.

Financial Information

Agriculture and Rural Development

Financial Statements

Ministry of Agriculture and Rural Development

Consolidated Financial Statements

For the Year Ended
March 31, 2009

Ministry of Agriculture and Rural Development

Consolidated Financial Statements

For the Year Ended
March 31, 2009

CONTENTS

79 Auditor's Report

80 Consolidated Statement of Operations

82 Consolidated Statement of Financial Position

83 Consolidated Statement of Cash Flows

84 Notes to the Consolidated Financial Statements

92 Consolidated Schedule of Expenses – Directly Incurred Detailed by Object

93 Consolidated Schedule of Loans Receivable

94 Consolidated Schedule of Investments

95 Consolidated Schedule of Tangible Capital Assets

96 Consolidated Schedule of Notes and Interest Payable

97 Consolidated Schedule of Related Party Transactions

98 Consolidated Schedule of Allocated Costs

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Members of the Legislative Assembly

I have audited the consolidated statement of financial position of the Ministry of Agriculture and Rural Development as at March 31, 2009 and the consolidated statements of operations and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Ministry's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Ministry as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

[original signed by Fred J. Dunn]

FCA
Auditor General

Edmonton, Alberta
June 1, 2009

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2009
(in thousands)

	2009 Budget	2009 Actual	2008 Actual (Restated - Note 3)
Revenues			
Transfers from Government of Canada	$ 332,577	$ 284,069	$ 130,026
Premiums from Insured Persons	170,774	209,465	146,101
Interest and Investment Income	110,812	103,972	104,708
Fees, Permits, Licenses and Other Income	21,016	33,862	25,413
Internal Government Transfers	22,220	22,220	22,220
Ministry Revenue	**657,399**	**653,588**	**428,468**

continued

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2009

(in thousands)

	2009 Budget	2009 Actual	2008 Actual (Restated - Note 3)
Expenses (Schedule 1)			
Program			
Agriculture Income Support	335,904	655,031	157,806
Insurance	385,271	391,554	338,562
Industry Development	47,777	46,837	66,275
Rural Development	35,045	37,326	40,161
Environment and Food Safety	66,765	62,574	67,941
Planning and Competitiveness	13,992	14,060	13,336
Farm Fuel Distribution Allowance	33,500	29,391	32,830
Lending	26,688	25,222	25,822
Infrastructure Assistance	43,700	34,558	26,242
Ministry Support Services	15,116	16,158	12,316
Livestock and Meat Strategy	-	2,648	-
Program Expense	1,003,758	1,315,359	781,291
Other			
Debt Servicing Costs	53,262	57,287	46,402
Valuation Adjustments	6,062	1,714	9,168
	59,324	59,001	55,570
Ministry Expense	1,063,082	1,374,360	836,861
Loss on Disposal of Tangible Capital Assets	-	(41)	(195)
	-	(41)	(195)
Net Operating Results	**$ (405,683)**	**$ (720,813)**	**$ (408,588)**

The accompanying notes and schedules are part of these consolidated financial statements.

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2009

(in thousands)

	2009	2008 (Restated - Note 3)
Assets		
Cash and Cash Equivalents	$ 415,606	$ 267,524
Accounts Receivable	40,900	83,232
Due from Government of Canada	203,450	216,917
Loans Receivable (Schedule 2)	1,173,186	1,073,061
Investments (Schedule 3)	477,041	438,592
Tangible Capital Assets (Schedule 4)	77,522	70,359
	$ 2,387,705	**$ 2,149,685**
Liabilities		
Accounts Payable and Accrued Liabilities	$ 59,700	$ 100,473
Indemnities Payable	299,972	303,183
Allowance for Loan Guarantees	515	656
Unearned Revenue	41,445	11,185
Due to Crop Reinsurance Fund of Canada for Alberta	625	210
Notes and Interest Payable to the Province of Alberta (Schedule 5)	1,123,448	1,006,719
	1,525,705	**1,422,426**
Net Assets		
Net Assets at Beginning of Year	727,259	680,416
Net Operating Results	(720,813)	(408,588)
Net Financing Provided from General Revenues	855,554	455,431
Net Assets at End of Year	862,000	727,259
	$ 2,387,705	**$ 2,149,685**

The accompanying notes and schedules are part of these consolidated financial statements.

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2009

(in thousands)

	2009	2008 (Restated - Note 3)
Operating Transactions		
Net Operating Results	$ (720,813)	$ (408,588)
Non-cash items included in Net Operating Results	11,611	21,577
Net Change in Operating Assets and Liabilities	10,903	(86,334)
Cash Applied to Operating Transactions	**(698,299)**	**(473,345)**
Capital Transactions		
Acquisition of Tangible Capital Assets	(17,888)	(13,201)
Transfer of Tangible Capital Assets	(925)	(918)
Disposal of Tangible Capital Assets	63	93
Cash Applied to Capital Transactions	**(18,750)**	**(14,026)**
Investing Transactions		
Proceeds from Repayments of Loans Receivable, Advances and Sale of Properties	192,746	179,790
Loan and Advance Disbursements	(290,278)	(253,805)
Purchase of Investments	(296,771)	(285,766)
Proceeds on Disposal of Investments	268,371	270,644
Cash Applied to Investing Transactions	**(125,932)**	**(89,137)**
Financing Transactions		
Borrowing from the Province of Alberta	113,861	791,031
Repayment of Borrowing from the Province of Alberta	(40)	(718,660)
Transfer of Industry Funds	21,688	-
Net Financing Provided from General Revenues	855,554	455,431
Cash Provided by Financing Transactions	**991,063**	**527,802**
Increase (Decrease) in Cash and Cash Equivalents	**148,082**	**(48,706)**
Cash and Cash Equivalents, Beginning of Year	**267,524**	**316,230**
Cash and Cash Equivalents, End of Year	**$ 415,606**	**$ 267,524**

The accompanying notes and schedules are part of these consolidated financial statements.

Notes to the Consolidated Financial Statements for the Year Ended March 31, 2009

Note 1 Authority and Purpose

The Minister of Agriculture and Rural Development has been designated as responsible for various Acts by the *Government Organization Act* and its regulations. The purpose of the Ministry is to enable the growth of a globally competitive, sustainable agriculture and food industry through essential policy, legislation, information and services.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants (PSAB) are the primary source for the disclosed basis of accounting. These consolidated financial statements are prepared in accordance with the following accounting policies that have been established by government for all Ministries.

(a) Reporting Entity

The Minister of Agriculture and Rural Development administers the organizations listed below. The authority under which each organization operates is also listed. Together, these organizations form the Ministry of Agriculture and Rural Development and constitute the reporting entity.

Organization	**Authority**
Department of Agriculture and Rural Development (the Department)	*Government Organization Act*
Agriculture Financial Services Corporation, including the Crop Reinsurance Fund of Alberta (the Corporation)	*Agriculture Financial Services Act*
The Alberta Livestock and Meat Agency Ltd. (the Agency)	*Alberta Business Corporations Act*

The financial statements for the individual entities provide more detailed information about the operations of each entity.

(b) Method of Consolidation

The accounts of the Department, regulated funds and provincial agencies are consolidated after adjusting them to a basis consistent with the accounting policies described below in (c). Revenue and expense transactions, investing and financing transactions, and related asset and liability accounts between entities within the Ministry have been eliminated.

(c) Basis of Financial Reporting

Revenues - All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year-end is recorded as unearned revenue. Interest revenue on loans receivable is recognized as earned unless the ultimate collection of the loan is in doubt. When a loan is classified as impaired, interest revenue is no longer recognized. An impaired loan is a loan in which there is a risk of loss for full and timely collection of the debt. Impairment may be due to a security deficiency, inadequate cash flow, economic factors in a specific segment of the industry or a catastrophic event.

Premiums from insured persons, including federal government contributions for crop insurance, are recognized as income when invoiced to producers.

Funds collected under various agreements are restricted contributions subject to externally imposed conditions that specify the purpose for which the funds are to be used. Restricted contributions are recognized as revenue in the period in which the related expenses are incurred. Restricted contributions received for future expenses are deferred until that future period when they are transferred to revenue.

Government Transfers - Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

Transfers from Government of Canada are recognized as revenues when authorized by federal legislation or federal/provincial agreements, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

Expenses

Directly Incurred - Directly incurred expenses are those costs for which the Ministry has primary responsibility and accountability, as reflected in the Government's budget documents.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets.
- pension costs, which comprise the cost of employer contributions for current service of employees during the year.
- valuation adjustments, which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, loans, guarantees and indemnities.

Grants are recognized as expenses when authorized, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

Incurred by Others - Services contributed by other entities in support of the Ministry operations are disclosed in Schedule 7.

Assets - Cash consists of deposits in the Consolidated Cash Investment Fund, which is managed by Alberta Finance to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital.

Due to the relatively short period to maturity, short-term financial instruments are valued at cost and adjusted for allowance for doubtful accounts, if applicable. The resulting net book value is considered to be equivalent to fair value. This approach applies to cash; accounts receivable; due from Government of Canada; due to Crop Reinsurance Fund of Canada for Alberta; accounts payable and accrued liabilities; and indemnities payable. Allowance for losses on loan guarantees does not have fair value disclosed due to the difficulty in determining the amount. Fair values of investments; and notes and interest payable to the Province of Alberta are disclosed in their respective schedules and notes.

Investments are carried at cost or amortized cost, unless there is an other than temporary decline in the value of the investments, then the investments are written down to recognize the loss. Premiums and discounts on investments are amortized to investment income using the straight-line method over the period to maturity of the related investment. Gains and losses realized on disposal of investments are included in investment income.

Loans made on significant concessionary terms are discounted. The amounts outstanding are discounted to their estimated present value. The amounts discounted are amortized to revenue over the lives of the concessionary terms.

Tangible capital assets of the Ministry are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. Tangible capital assets are restricted to those acquired for cash or exchanged for other assets.

Liabilities - Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Net Assets - Net assets represent the difference between the carrying value of assets held by the Ministry and its liabilities.

Measurement Uncertainty (*in thousands*) - Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount.

The allowance for doubtful accounts of $13,328 (2008 – $10,389) for estimated losses on premiums receivable and overpayments is subject to measurement uncertainty. The allowance estimate is based on an assessment of the ability to collect the outstanding balance.

Agri-Invest and Agri-Stability overpayments are non-interest bearing until December 31, 2008. Participants will receive a rebate if they repay the Agri-Invest and Agri-Stability overpayment within 90 days of the overpayment notification or they can convert the overpayment to a loan up until December 31, 2008. If the overpayment is not repaid or converted to a loan, the Ministry will pursue collection. Collection will include the recovery of the overpayment from future payments under the programs delivered by the Province of Alberta and Government of Canada.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

Loans Receivable - Loans receivable, recorded as $1,173,186 (2008 – $1,073,061) in these financial statements, include a specific allowance of $12,251 (2008 – $12,681) and a general allowance of $12,220 (2008 – $14,589) that are subject to measurement uncertainty. The amount established for specific and general allowances of $24,471 (2008 – $27,270) to cover estimated losses on loans could change substantially in the future, if factors considered by management in establishing these estimates were to change significantly.

Provisions are established for specifically identified potential losses on loans. When a loan is identified as impaired, a specific provision is established. Specific provisions are established by reducing the recorded investment in the loan by the discounted fair value of the security and the estimated costs to collect. Specific provisions are determined in this manner because the amounts and timing of future cash flows cannot be estimated with reasonable reliability. The provision for doubtful accounts is adjusted for the change in the present value of the security held.

In addition to the specific provision, the Ministry establishes a general allowance for doubtful accounts not meeting the specific provision criteria. The general allowance is management's estimate of loss on loan balances based on assessed risk for each account. Risk for each account is determined based on credit risk score, arrears, certain amendments to loan terms and shortfalls of security covering loan balances.

Indemnities Payable - Estimated indemnities payable, recorded as $299,972 (2008 – $303,183) in these financial statements, and corresponding indemnities expense and contributions and receivables from the Government of Canada are subject to measurement uncertainty because they could change significantly in the future, if factors considered by management in establishing the estimates were to change significantly.

Included in estimated indemnities payable are Agri-Invest and Agri-Stability indemnities amounting to $290,561. This includes estimated payments for the 2008 claim year of $185,150 for the vast majority of claims that have not yet been received because the deadline for submission of complete information is after the fiscal year end. The program payments are triggered when the participant's claim-year program margin falls below their support level.

The two factors impacting estimated indemnities payable for the 2008 claim year are the number of participants and estimated program margins. The estimated number of participants for the 2008 claim year is based on the number of farm operations participating in the program during the 2007 claim year. The estimated program margins are based on forecasted changes in eligible income and expenses between 2007 and 2008. Based on historical experience of variability between forecasts and actual results of key assumptions, the estimated indemnities for the 2008 claim year would range from $165,496 to $226,634.

Agri-Invest and Agri-Stability indemnities payable includes estimated payments of $75,298 for claims received but not processed for the 2007 and prior claim years (2008 - $72,126 for the 2006 and prior claim years). The estimates for the 2007 claim year are based on the number of claims received but not yet processed and the estimated average payment per claim.

Agri-Invest and Agri-Stability indemnities payable also includes estimated payments of $30,113 (2008 – $65,920) for related programs. The related programs were approved by the Government of Alberta for the 2006 and 2007 claim years. The estimate is based on the historical payment ratio for claims processed.

Note 3 Restatement of Prior Year Figures
(in thousands)

a) Transfer of Rural Program Grants

Effective April 1, 2008, grants paid under the Rural Electric and Rural Gas programs are reported as Infrastructure Assistance. Prior year figures in the Statement of Operations have been restated as follows:

	Previously Reported	Grant Restatement	Transfer of Rural Development	Restated
Statement of Operations				
Rural Development	$ 45,706	$ (6,963)	$ 1,418	$ 40,161
Infrastructure Assistance	19,279	6,963	-	26,242

Note 3 Restatement of Prior Year Figures (continued)
(in thousands)

b) Program Transfers with Other Ministries

Based on agreement between the Ministry and Service Alberta, effective April 1, 2008, the budgetary responsibility for the functional reporting of information technology services was transferred to Service Alberta. Service Alberta continues to provide the Ministry with the services related to these functions, but no consideration is exchanged. Administrative costs for 2008 ($1,785) have been restated as if the Ministry had never been assigned responsibility.

As a result of restructuring of government ministries announced on March 12, 2008, responsibility for Rural Development was transferred from the Ministry of Employment and Immigration. Comparatives for 2008 have been restated to reflect the current responsibilities. Net assets on March 31, 2007 is made up as follows:

Net Assets as previously reported	$	680,705
Transfer from the Ministry of Employment and Immigration		(289)
Net Assets at March 31, 2007	$	680,416

Net Operating Results, as previously reported at March 31, 2008	$	(408,932)
Plus: Expenses Transferred to the Ministry of Service Alberta		1,785
Less: Expenses Transferred from the Ministry of Employment and Immigration:		
Operating Expenses		(1,418)
Valuation Adjustments		(23)
Net Operating Results, as restated at April 1, 2008	$	(408,588)

c) AgriInvest Program

In 2009, Agriculture and Agri-Food Canada started to deliver the AgriInvest program, necessitating a change in the accounting. Further details can be found in the Corporation's financial statements, however prior year figures in the Statement of Financial Position and the Statement of Operations have been restated as follows:

	Previously Reported	Restated
Statement of Financial Position		
Due from Government of Canada	$ 258,124	$ 216,917
Indemnities Payable	344,390	303,183
Statement of Operations		
Transfers from Government of Canada	171,233	130,026
Agriculture Income Support	199,013	157,806

Note 4 Transfer of Industry Funds

(in thousands)

The Agency is a provincial crown corporation incorporated January 29, 2009 to act as a catalyst to help transition Alberta's livestock industry into competiveness and sustainability. As at March 31, 2009 the Agency assumed responsibility for the majority of assets and liabilities under the terms of two separate Assignment, Novation and Transfer Agreements dated for reference March 16, 2009, with the Alberta Livestock Industry Development Fund (ALIDF) and the Diversified Livestock Fund of Alberta (DLFOA). The result of this transfer will be for the Agency to assume responsibility for the delivery of provincially sponsored programs from these two industry funds.

The value of assets and liabilities transferred to the Agency are listed below:

	ALIDF	DLFOA	Total
Assets			
Cash and cash equivalents	$ 16,474	$ 5,214	$ 21,688
Investments	8,044	-	8,044
Accounts receivable	40	1	41
Prepaid exenses	7	-	7
Tangible capital assets	9	-	9
	$ 24,574	$ 5,215	$ 29,789
Liabilities			
Accounts payable and accrued liabilities	$ 38	$ -	$ 38
Grants payable	18	-	18
Unearned revenue	24,518	5,215	29,733
	$ 24,574	$ 5,215	$ 29,789

Note 5 Credit and Interest Risk

Credit Risk - Credit risk is the risk that debtors may not pay amounts owing to the Ministry. To manage this risk, the Ministry closely monitors and counsels high-risk accounts, such as beginning and developing agricultural loans. Security requirements proportionate to the degree of risk in each particular operation are also enforced.

The concentration of credit risk for insurance contracts held with reinsurers is monitored through a reinsurance broker who also evaluates the financial condition of each reinsurer. There is no significant reliance on any one reinsurer.

For insurance premiums receivable, a discount is provided for early payment of premiums. Payment arrangements are set for all customers not taking advantage of the offered discount. Outstanding premiums are closely monitored and collection action is taken promptly when required. Insurance contracts cannot be renewed if premiums for the prior year are outstanding at the renewal date.

Interest Risk - Interest rate risk is the impact future interest rate changes have on the financial position of the Ministry. This risk is managed by monitoring the mix of short, medium, and long-term lending and matching with terms of amounts borrowed.

The gaps between the loans receivable and notes and interest payable to the Province of Alberta represent the mismatching of the financing portfolio with that of the loan portfolio at March 31, 2009. The gaps provide an indication of interest rate exposure, or the potential risks to the Ministry if interest rates change.

Note 5 Credit and Interest Risk (continued)

	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	Rate Sensitive [2]	Total	Total
				(in thousands)			
Loan balances	$ 107,438	$ 366,302	$ 340,991	$ 353,592	$ 4,862	$ 1,173,185	$ 1,073,056
Yield [3]	5.80%	6.04%	6.21%	5.81%	-	6.02%	6.05%
Rural utilities	$ 1	$ -	$ -	$ -	$ -	$ 1	$ 5
Notes and Interest payable							
to the Province of Alberta	$ 89,438	$ 492,557	$ 214,634	$ 313,294	$ 13,525	$ 1,123,448	$ 1,006,719
Yield [3]	4.60%	4.98%	4.96%	4.24%	-	4.82%	4.81%
Net gap	$ 18,001	$ (126,255)	$ 126,357	$ 40,298	$ (8,663)	$ 49,738	$ 66,337

[1] For loan balances, scheduled repayments of principal and interest are based on amortization of loans for the remaining term up to maturity at applicable interest rates. For notes payable, scheduled repayments reflect contractual payments of interest and repayment of principal. The interest rates are fixed until maturity. Repayment is either by semi-annual, annual installments or full repayment at maturity of principal.

[2] Includes general provisions, accrued interest, accrued beginning farmer incentive and unamortized loan discount.

[3] Yield represents the rate which discounts future cash receipts to the carrying amount.

Note 6 Contingent Liabilities
(in thousands)

At March 31, 2009, Ministry entities are defendants in four legal claims (2008 – three legal claims). These claims have specified amounts totaling $1,405 (2008 – $1,932). Included in the total legal claims is one claim amounting to $300 (2008 – two claims amounting to $1,632) in which the Ministry has been jointly named with other entities. Two claims amounting to $525 (2008 – two claims amounting to $1,632) are covered by the Alberta Risk Management Fund.

The resulting loss, if any, from these claims cannot be determined.

Note 7 Contractual Obligations

	2009	2008
	(in thousands)	
Approved, Undisbursed Loans	$ 43,978	$ 59,250
Reinsurance	23,090	9,229
Grants	22,939	18,398
Service Contracts	5,842	6,749
Estimated Farm Loan Incentives	4,045	7,400
Operating Leases	2,021	740
	$ 101,915	$ 101,766

The operating lease commitments are for accommodations with terms up to five years.

Note 7 Contractual Obligations (continued)

The aggregate amounts payable for the unexpired terms of these contractual obligations are as follows:

	Approved, Undisbursed Loans	Reinsurance	Grants	Service Contracts	Estimated Farm Loan Incentives	Operating Leases	Total
				(in thousands)			
2010	$ 43,978	$ 23,090	$ 14,175	$ 4,141	$ 2,220	$ 895	$ 88,499
2011	-	-	5,237	1,082	1,380	336	8,035
2012	-	-	2,283	597	414	322	3,616
2013	-	-	1,244	22	31	304	1,601
2014	-	-	-	-	-	164	164
	$ 43,978	$ 23,090	$ 22,939	$ 5,842	$ 4,045	$ 2,021	$ 101,915

Note 8 Guarantees

	2009	2008	Expiry Date
	(in thousands)		
Feeder Associations	$ 49,866	$ 50,728	Ongoing
Agriculture Financial Services Corporation Guarantees	13,998	19,587	Variable
Rural Utilities Act	1	17	Ongoing
Agricultural Societies Act	-	-	2015
	63,865	70,332	
Allowance for Loan Guarantees	(515)	(656)	
	$ 63,350	$ 69,676	

The majority of loan guarantees relate to loans made by other financial institutions with repayment guaranteed by the Ministry. Prior to issuing a loan, security is taken. The security taken depends on the nature of the loan.

The expiry date shown for guarantees under the *Agricultural Societies Act* is the latest expiry date for guaranteed loans under the program.

Note 9 Trust Funds Under Administration

The Ministry administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the Ministry's financial statements.

As at March 31, 2009 trust funds under administration were as follows:

	2009	2008
	(in thousands)	
4-H General Trust	$ 32	$ 12
Wheat Board Monies Trust Fund	139	139
Claude Gallinger Memorial Trust Fund	21	22
	$ 192	$ 173

Note 10 Defined Benefit Plans

(in thousands)

The Ministry participates in the multi-employer pension plans, Management Employees Pension Plan and the Public Service Pension Plan. The Ministry also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these plans is equivalent to annual contributions of $10,409 for the year ended March 31, 2009 (2008 – $9,689).

At December 31, 2008 the Management Employees Pension Plan reported a deficiency of $568,574 (2007 – $84,341) and the Public Service Pension Plan reported a deficiency of $1,187,538 (2007 – $92,509 as restated). At December 31, 2008, the Supplementary Retirement Plan for Public Service Managers had a deficiency of $7,111 (2007 – surplus of $1,510).

The Ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2009, the Bargaining Unit Plan reported an actuarial deficiency of $33,540 (2008 – $6,319) and the Management, Opted Out, and Excluded Plan an actuarial deficiency of $1,051 (2008 – actuarial surplus of $7,874). The expense for these two plans is limited to employer's annual contributions for the year.

Note 11 Comparative Figures

Certain 2008 figures have been reclassified to conform to the 2009 presentation.

Note 12 Budget

The 2008-2009 Government and Lottery Fund Estimates were approved on June 3, 2008.

Note 13 Approval of the Consolidated Financial Statements

The consolidated financial statements were approved by the Senior Financial Officer and the Deputy Minister.

Schedule 1

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED SCHEDULE OF EXPENSES - DIRECTLY INCURRED DETAILED BY OBJECT

FOR THE YEAR ENDED MARCH 31, 2009

(in thousands)

	2009 Budget	2009 Actual	2008 Actual (Restated - Note 3)
Grants	$ 117,582	$ 108,927	$ 141,916
Indemnities	657,665	974,870	421,204
Salaries, Wages, Employment Contracts and Benefits	148,905	139,674	134,929
Interest	53,262	57,287	46,402
Supplies and Services	57,643	67,374	55,746
Amortization of Tangible Capital Assets	12,613	11,555	11,703
Other Expenses	9,350	12,959	15,793
Valuation Adjustments	6,062	1,714	9,168
Total	$ 1,063,082	$ 1,374,360	$ 836,861

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED SCHEDULE OF LOANS RECEIVABLE

FOR THE YEAR ENDED MARCH 31, 2009

(in thousands)

	2009	2008
Loans Receivable	$ 1,174,019	$ 1,078,156
Accrued Interest	25,221	24,451
	1,199,240	1,102,607
Less Allowance for Doubtful Accounts	(24,471)	(27,270)
Less Accrued Incentives	(1,090)	(1,522)
Less Loan Discounts	(493)	(754)
	$ 1,173,186	$ 1,073,061

Fair values of loans receivable are not disclosed. Determining fair values with sufficient reliability is not practical due to the absence of verifiable information from established financial markets for such loans.

The allowance for doubtful accounts of $24,471 (2008 – $27,270) includes a specific allowance of $12,251 (2008 – $12,682) on impaired loans outstanding of $14,062 (2008 - $22,403), excluding unamortized loan discount.

Schedule 3

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED SCHEDULE OF INVESTMENTS

FOR THE YEAR ENDED MARCH 31, 2009

(in thousands)

	2009	2008
Bonds and Debentures		
Government of Canada, direct and guaranteed	$ 172,113	$ 228,040
Other provincial, direct and guaranteed	128,755	46,424
	300,868	274,464
Corporate Securities	163,366	159,648
Equities	7,342	-
	471,576	434,112
Accrued interest	5,465	4,480
	$ 477,041	$ 438,592

	Term to Maturity				
	Within 1 Year	1 to 5 Years	6 to 10 Years	2009 Total	2008 Total
Bonds and Debentures	$ 1,404	$ 217,461	$ 82,003	$ 300,868	$ 274,463
Yield	0.65%	1.94%	2.59%	2.11%	4.29%
Corporate Securities	13,489	138,283	11,595	163,367	159,649
Yield	4.57%	5.49%	5.97%	5.44%	4.56%
Equities	7,341	-	-	7,341	-
Yield	3.71%	-	-	3.71%	-
	22,234	355,744	93,598	471,576	434,112
Accrued Interest	233	4,034	1,198	5,465	4,480
	$ 22,467	$ 359,778	$ 94,796	$ 477,041	$ 438,592

The fair value of investments at March 31, 2009 is $483,548 (2008 - $443,770). Fair value is based on quoted market prices including accrued interest.

Schedule 4

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED MARCH 31, 2009
(in thousands)

	Land	Buildings	Equipment and Vehicles	Computer Hardware and Software	Rail Hopper Cars	2009 Totals	2008 Totals
Estimated Useful Life	**Indefinite**	**25 - 40 years**	**5 - 10 years**	**2 - 10 years**	**35 years**		
Historical Cost							
Beginning of year	$ 469	$ 11,532	$ 40,705	$ 62,394	$ 49,772	$ 164,872	$ 156,197
Additions	-	166	6,571	12,207	-	18,944	14,119
Disposals	(122)	-	(1,315)	(767)	(213)	(2,417)	(5,444)
	$ 347	$ 11,698	$ 45,961	$ 73,834	$ 49,559	$ 181,399	$ 164,872
Accumulated Amortization							
Beginning of year	$ -	$ 2,863	$ 21,153	$ 31,959	$ 38,538	$ 94,513	$ 87,964
Amortization expense	-	398	3,102	6,636	1,419	11,555	11,703
Effect of disposals	-	-	(1,303)	(719)	(169)	(2,191)	(5,154)
	$ -	$ 3,261	$ 22,952	$ 37,876	$ 39,788	$ 103,877	$ 94,513
Net Book Value at March 31, 2009	$ 347	$ 8,437	$ 23,009	$ 35,958	$ 9,771	$ 77,522	
Net Book Value at March 31, 2008	$ 469	$ 8,669	$ 19,552	$ 30,435	$ 11,234		$ 70,359

Historical cost includes work-in-progress at March 31, 2009 totaling $15,168 comprised of: equipment $947 (2008 - $7,011) and computer hardware and software $14,221 (2008 - $1,287).

This has not been amortized during the period.

Schedule 5

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED SCHEDULE OF NOTES AND INTEREST PAYABLE

FOR THE YEAR ENDED MARCH 31, 2009
(in thousands)

Notes and interest payable to the Province of Alberta by the Ministry are comprised of the following:

Remaining Term to Maturity	**Effective Interest Rate**	**2009**	**Effective Interest Rate**	**2008**
Within 1 year	0.38%	$ 40,000	2.25% - 3.75%	$ 140,000
1 to 5 years	3.25% - 7.64%	454,957	3.43% - 7.64%	319,877
6 to 10 years	4.21% - 5.93%	301,672	4.21% - 6.52%	377,084
Over 10 years	4.43% - 4.97%	313,294	4.43% - 5.12%	159,142
Accrued Interest		15,108		12,934
Unamortized discount		(1,583)		(2,318)
		$ 1,123,448		$ 1,006,719

Notes payable are carried at amortized cost. Premiums and discounts on notes payable are amortized to interest expense using the effective yield method over the period to maturity.

The approximate fair value at March 31, 2009 is $1,174,308 (2008 - $1,047,981). Fair value is an approximation of market value to the holder.

Scheduled principal repayments in each of the next five years are as follows:

Year ending March 31,	2010	$ 89,438
	2011	278,687
	2012	84,425
	2013	46,053
	2014	83,393
		$ 581,996

Schedule 6

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED SCHEDULE OF RELATED PARTY TRANSACTIONS

FOR THE YEAR ENDED MARCH 31, 2009

(in thousands)

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Ministry.

The Ministry and its employees paid certain taxes and fees set by regulation for permits, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Ministry had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties.

	2009	2008 (Restated - Note 3)
Revenues:		
Grants	$ 22,220	$ 22,220
Other	378	376
	$ 22,598	$ 22,596
Expenses - Directly Incurred:		
Grants	$ -	$ -
Accommodation	932	1,112
Other services	3,205	6,200
Interest	57,287	46,402
	$ 61,424	$ 53,714
Tangible Capital Assets		
Transferred from Advanced Education and Technology	$ 1,038	$ 800
Transferred from Environment	9	118
Transferred to Infrastructure	(122)	-
Payable to		
Ministry of Advanced Education and Technology	1,551	2,223
Ministry of Housing and Urban Affairs	19	-
Ministry of Service Alberta	18	-
Receivable from		
Ministry of Advanced Education and Technology	-	126
Ministry of Municipal Housing and Urban Affairs	1,441	2,704
	$ 3,954	$ 5,971

The Ministry also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statetments but are disclosed in Schedule 7.

	2009	2008
Expenses incurred by others:		
Accommodation	$ 18,442	$ 15,437
Legal	1,013	666
Other services	7,291	5,038
	$ 26,746	$ 21,141

Note: The Ministry receives services under contracts managed by the Ministry of Service Alberta. Any commitments under these contracts are reported by the Ministry of Service Alberta.

Schedule 7

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED SCHEDULE OF ALLOCATED COSTS

FOR THE YEAR ENDED MARCH 31, 2009

(in thousands)

	2009										2008
		Expenses - Incurred by Others						Valuation Adjustments [8]			
Program	Expenses[1]	Accommodation Costs [2]	Legal Services [3]	Service Alberta[4]	Air Transportation[5]	Corporate Internal Audit Services[6]	Learning Centre[7]	Vacation Pay	Doubtful Accounts	Total Expenses	Total Expenses (Restated - Note 3)
Insurance	$ 391,554	$ 586	$ 11	$ -	$ -	$ -	$ -	$ -	$ (303)	$ 391,848	$ 338,067
Agriculture income support	655,031	-	-	-	-	-	-	-	4,635	659,666	155,828
Industry development	46,837	8,484	121	-	-	-	8	(387)	-	55,063	77,149
Environment and Food Safety	62,574	6,714	496	-	-	-	9	(61)	-	69,732	73,821
Planning and competitiveness	14,060	693	72	-	-	-	2	(272)	(535)	14,020	14,374
Rural Development	37,326	1,237	21	-	-	-	3	(84)	(2)	38,501	40,718
Farm Fuel Distribution Allowance	29,391	-	-	-	-	-	-	-	-	29,391	32,830
Lending	25,222	-	-	-	-	-	-	-	(1,208)	24,014	34,485
Infrastructure assistance	34,558	-	-	-	-	-	-	-	-	34,558	26,242
Ministry support services	16,158	715	176	7,011	152	104	2	(107)	1	24,212	18,012
Livestock and Meat Strategy	2,648	13	116	-	-	-	-	37		2,814	-
	$ 1,315,359	$ 18,442	$ 1,013	$ 7,011	$ 152	$ 104	$ 24	$ (874)	$ 2,588	$ 1,343,819	$ 811,526

[1] Expenses - Directly incurred per the Consolidated Statement of Operations, excluding valuation adjustments and debt servicing costs.

[2] Costs shown for Accommodation (includes grants in lieu of taxes) on Schedule 6, allocated by budgeted full-time equivalent employment.

[3] Costs shown for Legal Services on Schedule 6, allocated by estimated costs incurred by each program.

[4] Costs shown for Service Alberta on Schedule 6, allocated by estimated costs incurred by each program.

[5] Costs shown for Air Transportation, allocated by estimated costs incurred by each program.

[6] Costs shown for Corporate Internal Audit Services, allocated by estimated costs incurred by each program.

[7] Costs shown for Learning Centre, allocated by estimated costs incurred by each program.

[8] Valuation Adjustments as per Statement of Operations, Employee Benefits and Doubtful Accounts provision included in Valuation Adjustments were allocated as follows:

- Vacation Pay - allocated to the program by employee.
- Doubtful Accounts Provision - estimated allocation to program.

Department of Agriculture and Rural Development

Financial Statements

For the Year Ended
March 31, 2009

Department of Agriculture and Rural Development

Financial Statements

For the Year Ended
March 31, 2009

CONTENTS

101 Auditor's Report

102 Statement of Operations

104 Statement of Financial Position

105 Statement of Cash Flows

106 Notes to the Financial Statements

114 Schedule of Revenues

113 Schedule of Dedicated Revenue Initiatives

114 Schedule of Expenses – Directly Incurred Detailed by Object

115 Schedule of Authorized Budget

106 Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget

221 Schedule of Salary and Benefits

122 Schedule of Related Party Transactions

123 Schedule of Allocated Costs

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Minister of Agriculture and Rural Development

I have audited the statement of financial position of the Department of Agriculture and Rural Development as at March 31, 2009 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Department's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Department as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

[original signed by Fred J. Dunn]
FCA
Auditor General

Edmonton, Alberta
June 1, 2009

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2009
(in thousands)

	2009 Budget (Schedule 4)	2009 Actual	2008 Actual (Restated - Note 3)
Revenues (Schedule 1)			
Internal Government Transfers	$ 22,220	$ 22,220	$ 22,220
Transfers from the Government of Canada	10,225	15,648	35,076
Other Revenue	6,563	9,911	11,089
Premiums, Fees and Licenses	1,780	1,791	1,642
	40,788	**49,570**	**70,027**
Expenses - Directly Incurred (Note 2(b) and Schedule 8)			
Voted (Schedules 3 and 5)			
Ministry Support Services	15,116	16,158	12,316
Planning and Competitiveness	13,992	14,060	13,336
Environment and Food Safety	67,005	62,574	67,942
Industry Development	47,777	46,837	66,275
Rural Development	35,045	37,326	40,161
Livestock and Meat Strategy	-	6,802	-
Infrastructure Assistance	43,700	34,558	26,242
Agriculture Assistance			
Income Stabilization	132,114	534,782	152,937
Insurance and Lending	164,516	156,151	115,556
Farm Fuel Distribution Allowance	33,500	29,391	32,828
	552,765	**938,639**	**527,593**

continued

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2009
(in thousands)

	2009 Budget (Schedule 4)	2009 Actual	2008 Actual (Restated - Note 3)
Statutory (Schedules 3 and 5)			
Valuation Adjustments			
Write-offs and Losses	-	1	74
Provision for Loan Guarantees	-	-	(218)
Provision for Vacation Pay	-	(874)	346
Provision for Doubtful Accounts	-	(536)	2,776
	-	(1,409)	2,978
	552,765	937,230	530,571
Loss on Disposal of Tangible Capital Assets	-	(42)	(96)
Net Operating Results	$ (511,977)	$ (887,702)	$ (460,640)

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2009

(in thousands)

	2009	2008 (Restated - Note 3)
Assets		
Cash and Cash Equivalents	$ 258	$ 73
Accounts Receivable (Note 4)	17,719	49,152
Loans and Advances (Note 5)	2	6
Tangible Capital Assets (Note 6)	35,867	34,009
	$ 53,846	**$ 83,240**
Liabilities		
Accounts Payable and Accrued Liabilities (Note 7)	$ 116,162	$ 113,394
Unearned Revenue	4,595	4,609
	120,757	**118,003**
Net Liabilities		
Net Liabilities at Beginning of Year	(34,763)	(29,554)
Net Operating Results	(887,702)	(460,640)
Net Financing Provided from General Revenues	855,554	455,431
Net Liabilities at End of Year	(66,911)	(34,763)
	$ 53,846	**$ 83,240**

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2009

(in thousands)

	2009	2008 (Restated - Note 3)
Operating Transactions		
Net Operating Results	$ (887,702)	$ (460,640)
Non-cash items included in Net Operating Results		
Amortization	4,737	4,321
Valuation Adjustments	(1,409)	2,978
Loss on Disposal of Tangible Capital Assets	42	96
	(884,332)	**(453,245)**
Decrease (Increase) in Accounts Receivable	31,968	(11,912)
Increase in Accounts Payable and Accrued Liabilities	3,642	13,663
(Decrease) Increase in Unearned Revenue	(14)	510
Cash Applied to Operating Transactions	**(848,736)**	**(450,984)**
Capital Transactions		
Acquisition of Tangible Capital Assets	(5,759)	(3,732)
Transferred Assets	(925)	(918)
Disposal of Tangible Capital Assets	47	61
Cash Applied to Capital Transactions	**(6,637)**	**(4,589)**
Investing Transactions		
Loans and Advances	-	-
Repayment of Loans and Advances	4	5
Cash Provided by Investing Transactions	**4**	**5**
Financing Transactions		
Net Financing Provided from General Revenues	855,554	455,431
Cash Provided by Financing Transactions	**855,554**	**455,431**
Increase (Decrease) in Cash and Cash Equivalents	**185**	**(137)**
Cash and Cash Equivalents, Beginning of Year	**73**	**210**
Cash and Cash Equivalents, End of Year	**$ 258**	**$ 73**

The accompanying notes and schedules are part of these financial statements.

Notes to the Financial Statements for the Year Ended March 31, 2009

Note 1 Authority and Purpose

The Department of Agriculture and Rural Development operates under the authority of the *Government Organization Act*, Chapter G-10, Revised Statutes of Alberta 2000. The purpose of the Department is to enable the growth of a globally competitive, sustainable agriculture and food industry through essential policy, legislation, information and services in partnership with vibrant rural communities.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared primarily in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants (PSAB). The PSAB financial statements presentation standard for government summary financial statements has been modified to more appropriately reflect the nature of the departments.

(a) Reporting Entity

The reporting entity is the Department of Agriculture and Rural Development, which is part of the Ministry of Agriculture and Rural Development for which the Minister of Agriculture and Rural Development is accountable. The other entities reporting to the Minister are Agriculture Financial Services Corporation and Alberta Livestock and Meat Agency Ltd. The activities of these organizations are not included in these financial statements. The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Minister of Finance and Enterprise. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net Financing provided from General Revenues is the difference between all cash receipts and all cash disbursements made.

(b) Basis of Financial Reporting

Revenues - All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Internal Government Transfers - Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

Transfers from Government of Canada - Transfers from Government of Canada are recognized as revenue when authorized by federal legislation or federal/provincial agreements, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

Dedicated Revenue - Dedicated revenue initiatives provide a basis for authorized spending. Dedicated revenues are shown as credits or recoveries in the details of the Government Estimates for a supply vote. If budgeted revenues are not fully realized, spending is reduced by an equivalent amount. If actual dedicated revenues exceed budget, the Department may, with the approval of the Treasury Board, use the excess revenue to fund additional expenses on the program. Schedule 2 discloses information on the Department's dedicated revenue initiatives.

Expenses

Directly Incurred - Directly incurred expenses are those costs the Department has primary responsibility and accountability for, as reflected in the Government's budget documents.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets.
- pension costs which comprise the cost of employer contributions for current service of employees during the year.
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees, and indemnities.

Grants are recognized as expenses when authorized, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

Incurred by Others - Services contributed by other entities in support of the Department operations are disclosed in Schedule 8.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

Assets - Financial assets of the Department are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Assets acquired by right are not included. Tangible capital assets of the Department are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $100,000 and the threshold for all other tangible capital assets is $5,000. All land is capitalized.

Liabilities - Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Net Liabilities - Net liabilities represent the difference between the carrying value of assets held by the Department and its liabilities.

Measurement Uncertainty (*in thousands*) - Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount.

These financial statements include the Department's contribution of $105,229 to Agriculture Financial Services Corporation for the Department's share of program payments under the Agri-Invest and Agri-Stability programs that is subject to measurement uncertainty. The Department's contribution for these programs could change substantially in the future, if factors considered by management in establishing the estimates were to change significantly.

Included in the Department's contribution toward the cost of the Agri-Invest and Agri-Stability programs are estimated contributions for the 2008 claim year of $91,847 for the vast majority of claims that have not yet been received because the deadline for submission of complete information is after the end of the fiscal year. These program payments are triggered when the participant's claim-year program margin falls below their support level.

The two factors impacting estimated indemnities payable for the 2008 claim year are the number of participants and estimated program margins. The estimated number of participants for the 2008 claim year is based on the number of farm operations participating in the program during the 2007 claim year. The estimated program margins are based on forecasted changes in eligible income and expenses and inventories between 2007 and 2008. Based on historical experience of variability between forecasts and actual results of key assumptions, the estimated indemnities for the 2008 claim year would range from $81,215 to $111,215.

The Department's contribution includes estimated contributions of $30,119 for claims received but not processed for the 2007 and prior claim years (2008 - $28,850 for the 2006 and prior claim years). The estimates for the 2007 claim year are based on the number of claims received but not yet processed and the estimated average payment per claim.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash and cash equivalents, accounts receivable, advances and accounts payable and accrued liabilities are estimated to approximate their carrying values because of the short term nature of these instruments. Fair values of loans are not reported due to there being no organized financial market for the instruments and it is not practicable within constraints of timeliness or cost to estimate the fair value with sufficient reliability.

Note 3 Restatement of Prior Year Figures
(in thousands)

Effective April 1, 2008, grants paid under the Rural Electric and Rural Gas programs are reported as Infrastructure Assistance. Prior year figures in the Statement of Operations have been restated as follows:

	Previously Reported	Grant Restatement	Transfer of Rural Development	Restated
Statement of Operations				
Rural Development	$ 45,706	$ (6,963)	$ 1,418	$ 40,161
Infrastructure Assistance	19,279	6,963	-	26,242

Note 3 Restatement of Prior Year Figures (continued)
(in thousands)

Based on agreement between ARD and Service Alberta, effective April 1, 2008, the budgetary responsibility for the functional reporting of information technology services was transferred to the Ministry of Service Alberta. Service Alberta continues to provide the Department with the services related to these functions, but no consideration is exchanged. Administrative costs for 2008 ($1,785) have been restated as if the Department had never been assigned responsibility.

As a result of restructuring of government ministries announced on March 12, 2008, responsibility for Rural Development was transferred from the Department of Employment and Immigration. Comparatives for 2008 have been restated to reflect the current responsibilities.

Net liabilities on March 31, 2007 is made up as follows:

Net Liabilities as previously reported	($ 29,265)
Transfer from the Department of Employment and Immigration	(289)
Net Liabilities at March 31, 2007	($ 29,554)

Net Operating Results, as previously reported at March 31, 2008	($ 460,984)
Plus: Expenses Transferred to the Department of Service Alberta	1,785
Less: Expenses Transferred from the Department of Employment and Immigration	(1,441)
Net Operating Results, as restated at April 1, 2008	($ 460,640)

Note 4 Accounts Receivable

	2009			2008
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
		(in thousands)		
Accounts receivable	$ 20,736	$ 3,194	$ 17,542	$ 48,984
Refunds from suppliers	177	-	177	168
	$ 20,913	$ 3,194	$ 17,719	$ 49,152

Accounts receivable are unsecured and non-interest bearing.

Note 5 Loans and Advances

	2009			2008
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
		(in thousands)		
Travel Advances	$ 1	$ -	$ 1	$ 1
Loans Receivable	1	-	1	5
	$ 2	$ -	$ 2	$ 6

Note 6 Tangible Capital Assets

	Land	Buildings	Equipment and Vehicles	Computer Hardware and Software	Rail Hopper Cars	2009 Totals	2008 Totals
Estimated Useful Life	**Indefinite**	**40 years**	**10 years**	**3 - 5 years**	**35 years**		
				(in thousands)			
Historical Cost							
Beginning of year	$ 122	$ 1,739	$ 36,154	$ 4,936	$ 49,772	$ 92,723	$ 88,821
Additions	-	-	4,936	1,870	-	6,806	4,650
Disposals	(122)	-	(331)	(63)	(213)	(729)	(748)
	$ -	$ 1,739	$ 40,759	$ 6,743	$ 49,559	$ 98,800	$ 92,723
Accumulated Amortization							
Beginning of year	$ -	$ 262	$ 17,608	$ 2,306	$ 38,538	$ 58,714	$ 54,983
Amortization expense	-	43	2,784	491	1,419	4,737	4,321
Effect of disposals	-	-	(325)	(24)	(169)	(518)	(590)
	$ -	$ 305	$ 20,067	$ 2,773	$ 39,788	$ 62,933	$ 58,714
Net Book Value at March 31, 2009	$ -	$ 1,434	$ 20,692	$ 3,970	$ 9,771	$ 35,867	
Net Book Value at March 31, 2008	$ 122	$ 1,477	$ 18,546	$ 2,630	$ 11,234		$ 34,009

Historical cost includes work-in-progress at March 31, 2009 totaling $2,965 comprised of: equipment $947 (2008 - $2,269) and computer hardware and software $2,018 (2008 - $1,287).

This has not been amortized during the period.

Note 7 Accounts Payable and Accrued Liabilities

	2009	2008 (Restated)
	(in thousands)	
Accounts Payable – General	$ 2,946	$ 25,128
Manpower	11,686	12,729
Grants	97,955	70,523
Allowance for Loan Guarantees	4	4
Supplies and Services and Capital Purchases	3,571	5,010
	$ 116,162	$ 113,394

Note 8 Contractual Obligations

	2009	2008
	(in thousands)	
Grants	$ 4,942	$ 18,398
Service contracts	5,842	6,749
	$ 10,784	$ 25,147

The aggregate amounts payable for the unexpired terms of these contractual obligations are as follows:

	Grants	Service Contracts	Total
		(in thousands)	
2010	$ 1,453	$ 4,141	$ 5,594
2011	1,276	1,082	2,358
2012	1,080	597	1,677
2013	1,133	22	1,155
	$ 4,942	$ 5,842	$ 10,784

Note 9 Contingent Liabilities

(in thousands)

At March 31, 2009, the Department is a defendant in one legal claim (2008 – three legal claims) with a specified amount totaling $300 (2008 – $1,932). The Department has been jointly named with other entities (2008 – two claims amounting to $1,632). This claim (2008 – two claims amounting to $1,632) is covered by the Alberta Risk Management Fund.

The resulting loss, if any, from these claims cannot be determined.

Note 10 Guarantees

	2009	2008	Expiry Date
	(in thousands)		
Feeder Associations	$ 49,866	$ 50,728	Ongoing
Rural Utilities Act	1	17	Ongoing
Agricultural Societies Act	-	-	2015
	49,867	50,745	
Allowance for Loan Guarantees	(4)	(4)	
	$ 49,863	$ 50,741	

Guarantee programs and their limits are established under the following Acts:

- *Feeder Associations Guarantee Act* (authorized guarantee limit set by Order in Council is $55 million)
- *Rural Utilities Act* (authorized guarantee limit set by statute is $50 million)
- *Agricultural Societies Act* (authorized guarantee limit set by statute is $50 million)

The lender takes appropriate security prior to issuing a loan to the borrower, which is guaranteed by the Province. The security taken depends on the nature of the loan. Interest rates are negotiated with the lender by the borrower.

The expiry date shown for guarantees under the Agricultural Societies Act is the latest expiry date for guaranteed loans under the program.

Note 11 Trust Funds Under Administration

The Department administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the Department's financial statements.

As at March 31, 2009 trust funds under administration were as follows:

	2009	2008
	(in thousands)	
4-H General Trust	$ 32	$ 12
Wheat Board Monies Trust Fund	139	139
Claude Gallinger Memorial Trust Fund	21	22
	$ 192	$ 173

Note 12 Defined Benefit Plans

(in thousands)

The Department participates in the multi-employer Management Employees Pension Plan and Public Service Pension Plan. The Department also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $7,158 for the year ended March 31, 2009 (2008 – $6,868).

At December 31, 2008, the Management Employees Pension Plan reported a deficiency of $568,574 (2007 – $84,341) and the Public Service Pension Plan reported a deficiency of $1,187,538 (2007 – $92,509 as restated). At December 31, 2008, the Supplementary Retirement Plan for Public Service Managers had a deficiency of $7,111 (2007 – surplus of $1,510).

The Department also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2009, the Bargaining Unit Plan reported an actuarial deficiency of $33,540 (2008 – $6,319) and the Management, Opted Out and Excluded Plan an actuarial deficiency of $1,051 (2008 –actuarial surplus of $7,874). The expense for these two plans is limited to the employer's annual contributions for the year.

Note 13 Comparative Figures

Certain 2008 figures have been reclassified to conform to the 2009 presentation.

Note 14 Approval of the Financial Statements

The financial statements were approved by the Senior Financial Officer and the Deputy Minister.

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

SCHEDULE TO FINANCIAL STATEMENTS

Revenues for the Year Ended March 31, 2009

Schedule 1

(in thousands)

	2009 Budget	2009 Actual	2008 Actual
Internal Government Transfers			
Transfers from the Lottery Fund	$ 22,220	$ 22,220	$ 22,220
Transfers from the Government of Canada			
SRM Disposal	8,000	3,878	5,055
Agriculture Stewardship	225	221	24,865
BSE Surveillance	2,000	2,309	4,425
Growing Forward	-	6,733	-
Farm Water Program	-	1,750	-
Other	-	757	731
	10,225	15,648	35,076
Other Revenue			
Project Contributions	4,513	5,001	3,515
Rail Hopper Car Revenue	875	1,771	1,731
Green Certificate and Home Study	880	374	346
Publications	225	220	219
Previous Years	-	1,327	3,603
Other	-	4	(13)
Surplus Sales	-	23	92
Miscellaneous	70	1,191	1,596
	6,563	9,911	11,089
Premiums, Fees and Licenses			
Livestock Water Program	140	214	125
Food Processing Centre Fees	750	987	786
Meat Services	250	174	168
Dairy Laboratory and Analytical Services	-	7	7
Other	640	409	556
	1,780	1,791	1,642
	$ 40,788	$ 49,570	$ 70,027

Schedule 2

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

SCHEDULE TO FINANCIAL STATEMENTS

DEDICATED REVENUE INITIATIVES

FOR THE YEAR ENDED MARCH 31, 2009

(in thousands)

	Authorized Dedicated Revenues	Actual Dedicated Revenues	(Shortfall)/ Excess
Ministry Support Services	$ 350	$ 317	$ (33)
Planning and Competitiveness	4,180	2,288	(1,892)
Rural Development	1,230	904	(326)
Industry Development	7,318	8,538	1,220
Environment and Food Safety	16,265	9,744	(6,521)
	$ 29,343	$ 21,791	$ (7,552) (1)

Ministry Support Services dedicated revenue initiatives include federal revenue under the Growing Forward Agreement ($67) and fees for sale of publications ($250)

Planning and Competitiveness dedicated revenue initiatives include federal revenue under the Growing Forward Agreement ($530), Farm Water Program ($1,750) and external contributions to projects and initiatives ($8).

Rural Development dedicated revenue initiatives include federal revenue under the Growing Forward Agreement ($357), Rural Utilities ($151) and Rural Programs and Services ($396).

Industry Development dedicated revenue initiatives include federal revenue under the Growing Forward Agreement ($2,158), external contributions to projects and initiatives ($4,085) and Food Processing Development fees ($2,295).

Environment and Food Safety dedicated revenue initiatives include federal revenue under the Growing Forward Agreement ($3,621), Specified Risk Material Disposal ($3,878), external contributions to projects and initiatives ($545), fees for Regulatory Services ($596) and Agriculture Stewardship ($1,104).

The revenue and expense of each initiative's dedicated revenue and expense are reported in the Statement of Operations.

Treasury Board approval is pursuant to Section 24 (2) of the *Financial Administration Act*.
Net budget initiatives were approved on July 21, 2008 and October 22, 2008.

(1) Shortfall is deducted from the current year's authorized budget, as disclosed in Schedules 4 and 5 of the financial statements.

Schedule 3

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

SCHEDULE TO FINANCIAL STATEMENTS

EXPENSES - DIRECTLY INCURRED DETAILED BY OBJECT

FOR THE YEAR ENDED MARCH 31, 2009

(in thousands)

	2009 Budget	2009 Actual	2008 Actual (Restated - Note 3)
Voted:			
Salaries, Wages and Employee Benefits	$ 98,452	$ 90,662	$ 88,662
Supplies and Services	38,331	43,677	34,356
Grants	410,577	799,476	400,158
Financial Transactions and Other	105	87	96
Amortization of Tangible Capital Assets	5,300	4,737	4,321
Total Voted Expenses	$ 552,765	$ 938,639	$ 527,593
Statutory:			
Valuation adjustments			
Write-offs and Losses	$ -	$ 1	$ 74
Provision for Loan Guarantees	-	-	(218)
Provision for Vacation Pay	-	(874)	346
Provision for Doubtful Accounts	-	(536)	2,776
	$ -	$ (1,409)	$ 2,978

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

SCHEDULE TO FINANCIAL STATEMENTS

AUTHORIZED BUDGET

FOR THE YEAR ENDED MARCH 31, 2009
(in thousands)

Schedule 4

	2008-2009 Estimates	Adjustment (a)	2008-2009 Budget	Authorized Supplementary (b)	2008-2009 Authorized Budget
Revenues:					
Transfers from the Government of Canada	$ 10,225	$ 13,650	$ 23,875	$ -	$ 23,875
Internal Government Transfers	22,220	-	22,220	-	22,220
Other Revenue	6,563	-	6,563	-	6,563
Fees, Permits and Licenses	1,780	-	1,780	-	1,780
	40,788	13,650	54,438	-	54,438
Expenses - Directly Incurred:					
Voted Expenses					
Planning and Competitiveness	48,492	2,000	50,492	-	50,492
Agriculture Insurance and Lending Assistance	295,630	-	295,630	383,802	679,432
Environment and Food Safety	101,805	8,760	110,565	-	110,565
Industry Development	52,777	2,485	55,262	(5,000)	50,262
Rural Development	38,945	300	39,245	7,100	46,345
Ministry Support Services	15,116	105	15,221	-	15,221
Livestock and Meat Strategy	-	-	-	21,000	21,000
Dedicated Revenue Shortfall (Schedule 2)	-	(7,552)	(7,552)	-	(7,552)
	552,765	6,098	558,863	406,902	965,765
Net Operating Result	$ (511,977)	$ 7,552	$ (504,425)	$ (406,902)	$ (911,327)
Equipment/Inventory Purchases	$ 2,766	$ -	$ 2,766	$ -	$ 2,766

(a) Adjustments include dedicated revenue increases and dedicated revenue shortfalls.

Dedicated Revenue increases were approved on July 21, 2008 and October 22, 2008.

(b) Supplementary Estimates were approved on December 4, 2008 and March 23, 2009.

Treasury Board approval is pursuant to Section 24 (2) of the Financial Administration Act (for net budget initiatives).

Schedule 5

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

SCHEDULE OF COMPARISON OF EXPENSES - DIRECTLY INCURRED AND CAPITAL INVESTMENTS BY ELEMENT TO AUTHORIZED BUDGET

FOR THE YEAR ENDED MARCH 31, 2009
(in thousands)

		2008-2009 Estimates	Adjustments (a)	2008-2009 Budget	Authorized Supplementary (b)	2008-2009 Authorized Budget	2008-2009 Actual Expenses (c)	Unexpended (Over Expended)
Voted Expenses and Capital Investments								
1.0	Ministry Support Services							
1.0.1	Minister's Office	$ 502	$ -	$ 502	$ -	$ 502	$ 542	$ (40)
1.0.2	Deputy Minister's Office	649	-	649	-	649	749	(100)
1.0.3	Farmers' Advocate	940	105	1,045	-	1,045	1,040	5
1.0.4	Corporate Services							
	- Expense	8,189	-	8,189	-	8,189	9,253	(1,064)
	- Capital Investment	70	-	70	-	70	1,553	(1,483)
1.0.5	Agriculture Information Division	2,761	-	2,761	-	2,761	2,491	270
1.0.6	Communications	418	-	418	-	418	423	(5)
1.0.7	Human Resources	1,657	-	1,657	-	1,657	1,660	(3)
	Total Program	15,186	105	15,291	-	15,291	17,711	(2,420)
2.0	Planning and Competitiveness							
2.0.1	Program Support	1,942	-	1,942	-	1,942	1,832	110
2.0.2	Policy Secretariat	4,023	-	4,023	-	4,023	3,417	606
2.0.3	Alberta Grain Commission	511	-	511	-	511	387	124
2.0.4	Economics and Competitiveness	4,837	450	5,287	-	5,287	5,395	(108)
2.0.5	Strategic Direction and Program Policy	2,679	50	2,729	-	2,729	3,029	(300)
2.0.6	Farm Fuel Distribution Allowance	33,500	-	33,500	-	33,500	29,391	4,109
2.0.7	Farm Water Program	1,000	1,500	2,500	-	2,500	2,653	(153)
	Total Program	48,492	2,000	50,492	-	50,492	46,104	4,388

		2008-2009 Estimates	Adjustments (a)	2008-2009 Budget	Authorized Supplementary (b)	2008-2009 Authorized Budget	2008-2009 Actual Expenses (c)	Unexpended (Over Expended)
Voted Expenses and Capital Investments								
3.0	Rural Development							
3.0.1	Program Support	561	-	561	-	561	661	(100)
3.0.2	Rural Coordination and Strategic Initiatives	1,737	-	1,737	4,000	5,737	3,778	1,959
3.0.3	Rural Utilities	6,212	-	6,212	3,100	9,312	8,773	539
3.0.4	Rural Community and Industry Services							
	- Expense	8,215	300	8,515	-	8,515	8,102	413
	- Capital Investment	-	-	-	-	-	8	(8)
3.0.5	Agricultural Service Boards							
	- Expense funded by Lotteries	10,600	-	10,600	-	10,600	10,574	26
	- Expense	-	-	-	-	-	6	(6)
3.0.6	Agriculture Societies							
	- Expense funded by Lotteries	8,670	-	8,670	-	8,670	8,670	-
3.0.7	Agriculture Initiatives							
	- Expense funded by Lotteries	2,950	-	2,950	-	2,950	2,675	275
	Total Program	38,945	300	39,245	7,100	46,345	43,247	3,098

		2008-2009 Estimates	Adjustments (a)	2008-2009 Budget	Authorized Supplementary (b)	2008-2009 Authorized Budget	2008-2009 Actual Expenses (c)	Unexpended (Over Expended)
Voted Expenses and Capital Investments								
4.0	Industry Development							
4.0.1	Program Support	2,429	-	2,429	-	2,429	1,661	768
4.0.2	Marketing Council							
	- Expense	901	125	1,026	-	1,026	1,068	(42)
	- Capital Investment	-		-	-	-	7	(7)
4.0.3	Livestock Genomics	-	-	-	-	-	201	(201)
4.0.4	Agriculture Research							
	- Expense	15,783	483	16,266	-	16,266	16,920	(654)
	- Capital Investment	1,850	-	1,850	-	1,850	634	1,216
4.0.5	Food Processing Development							
	- Expense	5,190	-	5,190	-	5,190	5,214	(24)
	- Capital Investment	266	-	266	-	266	1,367	(1,101)
4.0.6	Bio-Industrial Technologies							
	- Expense	2,769	350	3,119	-	3,119	3,580	(461)
	- Capital Investment	-	-	-	-	-	144	(144)
4.0.7	Business Expansion & Commercialization	6,720	1,444	8,164	-	8,164	7,093	1,071
4.0.8	Agriculture Industry Development and Diversification	7,001	-	7,001	-	7,001	7,573	(572)
4.0.9	Growth Strategy Secretariat	6,984	83	7,067	-	7,067	3,523	3,544
4.0.10	Infrastructure Assistance for Municipal Wastewater	5,000	-	5,000	(5,000)	-	-	-
4.0.11	Industry Science and Innovation	-	-	-	-	-	3	(3)
	Total Program	54,893	2,485	57,378	(5,000)	52,378	48,988	3,390

Voted Expenses and Capital Investments		2008-2009 Estimates	Adjustments (a)	2008-2009 Budget	Authorized Supplementary (b)	2008-2009 Authorized Budget	2008-2009 Actual Expenses (c)	Unexpended (Over Expended)
5.0	Environment and Food Safety							
5.0.1	Program Support	2,821	-	2,821	-	2,821	2,057	764
5.0.2	Food Chain Traceability							
	- Expense	3,868	-	3,868	-	3,868	2,581	1,287
	- Capital Investment	-	-	-	-	-	389	(389)
5.0.3	Agricultural Stewardship							
	- Expense	23,495	3,180	26,675	-	26,675	20,993	5,682
	- Capital Investment	200	-	200	-	200	918	(718)
5.0.4	Food Safety							
	- Expense	32,567	5,580	38,147	-	38,147	23,163	14,984
	- Capital Investment	380	-	380	-	380	739	(359)
5.0.5	Surveillance Support	11,000	-	11,000	-	11,000	9,689	1,311
5.0.6	Regulatory Services	8,651	-	8,651	-	8,651	10,098	(1,447)
5.0.7	Irrigation Secretariat	320	-	320	-	320	386	(66)
5.0.8	Irrigation Infrastructure Assistance	19,083	-	19,083	-	19,083	22,252	(3,169)
	Total Program	102,385	8,760	111,145	-	111,145	93,265	17,880

		2008-2009 Estimates	Adjustments (a)	2008-2009 Budget	Authorized Supplementary (b)	2008-2009 Authorized Budget	2008-2009 Actual Expenses (c)	Unexpended (Over Expended)
Voted Expenses and Capital Investments								
6.0	Agriculture Insurance and Lending Assistance							
6.0.1	Lending Assistance	1,217	-	1,217	-	1,217	1,217	-
6.0.2	Crop Insurance	161,225	-	161,225	4,542	165,767	151,485	14,282
6.0.3	Wildlife Damage	2,074	-	2,074	-	2,074	3,449	(1,375)
6.0.4	AgriStability	131,114	-	131,114	(140)	130,974	126,279	4,695
6.0.5	Farm Recovery Plan	-	-	-	370,000	370,000	399,303	(29,303)
6.0.6	AgriRecovery	-	-	-	9,400	9,400	6,424	2,976
6.0.7	Farm Income Disaster	-	-	-	-	-	123	(123)
	Total Program	295,630	-	295,630	383,802	679,432	688,280	(8,848)
7.0	Livestock and Meat Strategy							
7.0.1	Livestock and Meat Strategy	-	-	-	21,000	21,000	6,803	14,197
	Total Program	-	-	-	21,000	21,000	6,803	14,197
	Dedicated Revenue Shortfall (Schedule 2)	-	(7,552)	(7,552)	-	(7,552)	-	(7,552)
		$ 555,531	$ 6,098	$ 561,629	$ 406,902	$ 968,531	$ 944,398	$ 24,133
	Expense	$ 530,545	$ 6,098	$ 536,643	$ 406,902	$ 943,545	$ 916,720	$ 26,825
	Expense funded by Lotteries	22,220	-	22,220	-	22,220	21,919	301
		552,765	6,098	558,863	406,902	965,765	938,639	27,126
	Capital Investment	2,766	-	2,766	-	2,766	5,759	(2,993)
		$ 555,531	$ 6,098	$ 561,629	$ 406,902	$ 968,531	$ 944,398	$ 24,133
Statutory Expenses:								
	Valuation Adjustments	$ -	$ -	$ -	$ -	$ -	$ (1,409)	$ 1,409

(a) Adjustments include dedicated revenue increases and dedicated revenue shortfalls.
Dedicated Revenue increases were approved on July 21, 2008 and October 22, 2008.

(b) Supplementary Estimates were approved on December 4, 2008 and March 23, 2009.
Treasury Board approval is pursuant to Section 24 (2) of the Financial Administration Act (for net budget initiatives).

(c) Includes achievement bonus amounting to $1,943.

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

SCHEDULE OF SALARY AND BENEFITS DISCLOSURE

FOR THE YEAR ENDED MARCH 31, 2009

	2009				2008
	Base Salary (1)	Other Cash Benefits (2)	Other Non-Cash Benefits (3)	Total	Total
Department					
Deputy Minister (4)	$ 248,633	$ 59,204	$ 62,096	$ 369,933	$ 375,259
Assistant Deputy Ministers					
Policy and Environment (5)	172,701	31,952	43,687	248,340	223,505
Industry Development and Food Safety (5)(9)	142,311	30,062	36,889	209,262	245,891
Environment and Food Safety (6)	28,774	720	6,801	36,295	230,585
Organizational Effectiveness and Rural Services (7)	154,180	20,832	38,635	213,647	241,528
Executive Directors					
Information Division (8)	95,283	1,765	22,661	119,709	188,948
Human Resources (9)	154,654	25,784	38,865	219,303	187,005
Senior Financial Officer	143,807	38,458	36,305	218,570	200,857
Boards and Agencies					
Farmers' Advocate (4)	143,807	11,591	6,953	162,351	161,849
General Manager, Agricultural Products Marketing Council	129,054	13,599	33,199	175,852	186,910

Prepared in accordance with Treasury Board Directive 12/98 as amended.

Total salary and benefits relating to a position are disclosed.

(1) Base salary includes regular base pay.

(2) Other cash benefits include bonuses, vacation payouts, overtime and lump sum payments.

(3) Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships and tuition fees.

(4) Automobile provided, no dollar amount included in other non-cash benefits.

(5) Sector name changed July 1, 2008. Includes a portion of the responsibilities of the former Assistant Deputy Minister of Environment and Food Safety.

(6) Position was eliminated effective June 1, 2008. Position responsibilities were encompassed within the Assistant Deputy Ministers of Policy and Environment and Industry Development and Food Safety.

(7) The position was vacated February 17, 2009.

(8) The position was eliminated December 1, 2009.

(9) The position was occupied by 2 individuals during the year.

Schedule 7

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT
SCHEDULE OF RELATED PARTY TRANSACTIONS
FOR THE YEAR ENDED MARCH 31, 2009
(in thousands)

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Department.

The Department and its employees paid certain taxes and fees set by regulation for permits, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Department had the following transactions with related parties recorded on the Statement of of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities	
	2009	2008	2009	2008 (Restated - Note 3)
Revenues:				
Grants	$ 208	$ 226	$ 22,220	$ 22,220
Other	19	-	378	376
	$ 227	$ 226	$ 22,598	$ 22,596
Expenses - Directly Incurred:				
Grants	$ 693,166	$ 261,816	$ -	$ -
Other services	-	-	2,422	5,558
	$ 693,166	$ 261,816	$ 2,422	$ 5,558
Tangible Capital Assets				
Transferred from Advanced Education and Technology	$ -	$ -	$ 1,038	$ 800
Transferred from Environment	-	-	9	118
Transferred to Infrastructure	-	-	(122)	-
Payable to				
Agriculture Financial Services Corporation	73,032	26,160	-	-
Ministry of Advanced Education and Technology	-	-	1,551	2,223
Ministry of Housing and Urban Affairs	-	-	19	-
Receivable from				
Agriculture Financial Services Corporation	240	226	-	-
Alberta Livestock and Meat Agency	79	-	-	-
Ministry of Advanced Education and Technology	-	-	-	126
Ministry of Municipal Affairs	-	-	1,441	2,704
	$ 73,351	$ 26,386	$ 3,936	$ 5,971

The Department also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 8.

	Entities in the Ministry		Other Entities	
	2009	2008	2009	2008
Expenses - Incurred by Others:				
Accommodation	$ -	$ -	$ 17,856	$ 15,437
Legal	-	-	886	666
Other	-	-	7,291	5,038
	$ -	$ -	$ 26,033	$ 21,141

Note: The Department receives services under contracts managed by the Ministry of Service Alberta. Any commitments under these contracts are reported by the Ministry of Service Alberta.

Schedule 8

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT
SCHEDULE TO FINANCIAL STATEMENTS
ALLOCATED COSTS
FOR THE YEAR ENDED MARCH 31, 2009
(in thousands)

	2009										2008
								Valuation Adjustments(8)			
Program	Expenses(1)	Accommodation Costs(2)	Legal Services(3)	Service Alberta(4)	Air Transportation(5)	Corporate Internal Audit Services(6)	Learning Centre(7)	Vacation Pay	Doubtful Accounts	Total Expenses	Total Expenses (Restated - Note 3)
Industry Development	$ 46,837	$ 8,484	$ 121	$ -	$ -	$ -	$ 8	$ (387)	$ -	$ 55,063	$ 77,149
Environment and Food Safety	62,574	6,714	496	-	-	-	9	(61)	-	69,732	73,822
Planning and Competitiveness	14,060	693	72	-	-	-	2	(272)	(535)	14,020	14,374
Infrastructure Assistance	34,558	-	-	-	-	-	-	-	-	34,558	26,242
Ministry Support Services	16,158	715	176	7,011	152	104	2	(107)	1	24,212	18,012
Rural Development	37,326	1,237	21	-	-	-	3	(84)	(2)	38,501	40,718
Livestock and Meat Strategy	6,802	13	-	-	-	-	-	37	-	6,852	-
Agriculture Assistance											
Income Stabilization	534,782	-	-	-	-	-	-	-	-	534,782	152,937
Insurance and Lending	156,151	-	-	-	-	-	-	-	-	156,151	115,556
Farm Fuel Distribution Allowance	29,391	-	-	-	-	-	-	-	-	29,391	32,828
	$ 938,639	$ 17,856	$ 886	$ 7,011	$ 152	$ 104	$ 24	$ (874)	$ (536)	$ 963,262	$ 551,638

(1) Expenses - Directly incurred as per the Statement of Operations, excluding valuation adjustments.

(2) Costs shown for Accommodation on Schedule 7, allocated by budgeted full-time equivalent employment.

(3) Costs shown for Legal Services on Schedule 7, allocated by estimated costs incurred by each program.

(4) Costs shown for Service Alberta on Schedule 7, allocated by estimated costs incurred by each program.

(5) Costs shown for Air Transportation on Schedule 7, allocated by estimated costs incurred by each program.

(6) Costs shown for Corporate Internal Audit Services on Schedule 7, allocated by estimated costs incurred by each program.

(7) Costs shown for Learning Centre on Schedule 7, allocated by estimated costs incurred by each program.

(8) Valuation Adjustments as per Statement of Operations. Employee Benefits and Doubtful Accounts provision included in Valuation Adjustments were allocated as follows:

- Vacation Pay - allocated to the program by employee.
- Doubtful Accounts Provision - estimated allocation to program.

Agriculture Financial Services Corporation

Financial Statements
March 31, 2009

Agriculture Financial Services Corporation

Financial Statements

March 31, 2009

CONTENTS

127 Auditor's Report

128 Statement of Financial Position

129 Statement of Operations

130 Statement of Cash Flows

131 Notes to the Financial Statements

145 Schedule of Operations

146 Schedule of Administration Expense

147 Schedule of Salaries and Benefits

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Directors of the Agriculture Financial Services Corporation

I have audited the statement of financial position of the Agriculture Financial Services Corporation as at March 31, 2009 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

[original signed by Fred J. Dunn]
FCA
Auditor General

Edmonton, Alberta
May 22, 2009

AGRICULTURE FINANCIAL SERVICES CORPORATION

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2009

(dollars in thousands)

	2009	2008 (Restated) (Note 2(k))
ASSETS		
Cash	$ 389,660	$ 267,451
Accounts receivable (Note 4)	38,527	79,724
Due from Province of Alberta	73,446	26,603
Due from Government of Canada	188,349	171,497
Loans receivable (Note 5)	1,173,185	1,073,056
Investments (Note 6)	468,996	438,592
Property and equipment (Note 7)	41,033	36,350
	$ 2,373,196	$ 2,093,273
LIABILITIES AND SURPLUS		
Accounts payable and accrued liabilities	$ 15,900	$ 13,912
Indemnities payable (Note 8)	299,972	303,183
Due to Crop Reinsurance Fund of Canada for Alberta	625	210
Allowance for losses on loan guarantees (Note 13)	511	652
Notes payable (Note 9)	1,123,448	1,006,719
Unearned revenue (Note 10)	7,168	6,576
	1,447,624	1,331,252
Surplus (Note 3c)	925,572	762,021
	$ 2,373,196	$ 2,093,273

Contingencies and commitments (Note 13)

The accompanying notes and schedules are part of these financial statements.

Original signed by:

Barry Holmes, Chair of Audit Committee

Harry Haney, Chair of the Board

AGRICULTURE FINANCIAL SERVICES CORPORATION

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2009

(dollars in thousands)

	2009		2008
	Budget (Note 3(a))	Actual (Schedule 1)	Actual (Restated) (Note 2(k))
Revenue:			
Premiums from insured persons	$ 170,774	$ 209,465	$ 146,101
Interest	80,762	72,769	67,598
Contribution from Province of Alberta	295,630	689,166	261,816
Contribution from Government of Canada	322,353	268,421	94,950
Investment income	29,843	31,202	37,196
Fees and other income	13,120	22,370	12,907
	912,482	1,293,393	620,568
Expense:			
Indemnities	657,665	974,870	421,204
Administration (Schedule 2)	75,595	76,592	73,242
Interest	53,262	57,287	46,488
Reinsurance	9,245	12,872	15,698
Farm loan incentives	2,635	2,617	3,574
Provision for doubtful accounts and for losses (Note 12)	6,062	3,124	6,190
Selling commissions	1,724	2,480	2,122
	806,188	1,129,842	568,518
Surplus for the year	$ 106,294	163,551	52,050
Surplus at beginning of year		762,021	709,971
Surplus at end of year		$ 925,572	$ 762,021

The accompanying notes and schedules are part of these financial statements

AGRICULTURE FINANCIAL SERVICES CORPORATION

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2009

(dollars in thousands)

	2009	2008
Operating transactions:		
Surplus for the year	$ 163,551	$ 52,050
Non-cash items included in Surplus	8,241	14,205
Changes in assets and liabilities relating to operations	(25,969)	(88,616)
Net cash provided (utilized) by operating activities[1]	145,823	(22,361)
Investing transactions:		
Proceeds from repayments of loans receivable and sale of properties	192,742	179,785
Loan disbursements	(290,278)	(253,805)
Purchase of investments	(296,771)	(285,766)
Proceeds on disposal of investments	268,371	270,644
Purchase of property and equipment	(11,515)	(9,469)
Proceeds on disposal of property and equipment	16	32
Net cash utilized by investing activities	(137,435)	(98,579)
Financing activities:		
Borrowing from the Province of Alberta	113,861	791,031
Repayment of borrowing from the Province of Alberta	(40)	(718,660)
Net cash provided by financing activities	113,821	72,371
Net increase (decrease) in cash from operating, investing and financing activities	122,209	(48,569)
Cash at beginning of year	267,451	316,020
Cash at end of year	$ 389,660	$ 267,451

---

(1) Net cash provided by operating activities includes $54,964 (2008 $43,940) of interest paid.

The accompanying notes and schedules are part of these financial statements.

AGRICULTURE FINANCIAL SERVICES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2009

(dollars in thousands)

Note 1 Authority and Purpose

The Agriculture Financial Services Corporation (the "Corporation") operates under the authority of the *Agriculture Financial Services Act*, Chapter A-12 RSA 2000.

The Corporation provides income stabilization, disaster assistance, production insurance, and loans and guarantees to primary agriculture producers in Alberta. Loans and guarantees are also provided to commercial Alberta businesses.

Note 2 Significant Accounting Policies and Reporting Practices

These financial statements are prepared primarily in accordance with generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

(a) Cash

Cash consists of balances in accounts with the Consolidated Cash Investment Trust Fund which is managed by the Province of Alberta to provide competitive interest income while maintaining maximum security and liquidity of funds.

(b) Investments

Investments are carried at cost or amortized cost unless there is an other than temporary decline in the value of the investments then the investments are written down to recognize the loss. Premiums and discounts on investments are amortized to investment income using the straight-line method over the period to maturity of the related investment. Gains and losses realized on disposal of investments are included in investment income.

(c) Notes Payable

Notes payable are carried at amortized cost. Premiums and discounts on notes payable are amortized to interest expense using the effective yield method over the period to maturity.

(d) Fair Value of Assets and Liabilities

Because of the relatively short period to maturity, short-term financial instruments are valued at cost and adjusted for any applicable allowance for doubtful accounts. This is considered to be equivalent to fair value and applies to Cash, Accounts receivable, Due from Province of Alberta, Due from Government of Canada, Accounts payable and accrued liabilities, indemnities payable and Due to Crop Reinsurance Fund of Canada for Alberta. Fair values of Investments and Notes payable are disclosed in their respective notes.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(e) Reinsurance

The Corporation carries reinsurance to cover production insurance risks through the two levels of government. Two crop reinsurance funds were established. On behalf of the Province, the Corporation administers the provincial fund called the Crop Reinsurance Fund of Alberta. Canada holds the federal fund called the Crop Reinsurance Fund of Canada for Alberta. The Crop Reinsurance Fund of Alberta is included as part of the production insurance surplus of the Corporation. Contributions to and withdrawals from the Funds are made in accordance with terms and conditions of the agreement (see Note 16). In addition, the Corporation carries reinsurance through private insurance companies. Amounts recoverable from private reinsurers on premiums and indemnities are recorded in Accounts receivable.

Reinsurance recoveries are not netted against indemnities; they are included in fees and other revenue. Reinsurance expenses are not netted against premiums from insured persons or contributions from the Province and Government of Canada; they are separately disclosed under expenses.

(f) Loan Discounting

Loans made under the Alberta Disaster Assistance Loan Program, Alberta Farm Income Disaster Program, and amounts previously deferred under the Indexed Deferral Plan are discounted when they involve significant concessionary elements. The amounts discounted are being amortized to revenue over the lives of the concessionary terms.

(g) Revenue Recognition

All revenues including Contributions from the Government of Alberta and Canada are recognized on an accrual basis. For the Canadian Agriculture Income Stabilization (CAIS) program and AgriInvest and AgriStability programs, government contributions are based on program benefit payments to producers. For production insurance programs, it is based on premiums invoiced to producers.

Interest revenue on loans receivable is recognized on an accrual basis unless the ultimate collectability of the loan is in doubt. When a loan is classified as impaired, interest revenue is no longer recognized. An impaired loan is a loan in which there is risk of loss to the Corporation for full and timely collection of the debt. Impairment may be due to a security deficiency, inadequate cash flow, economic factors in a specific segment of the industry or a catastrophic event.

Loan fees are recognized when received or at the time of loan disbursement. Other fees are recorded when the Corporation completes the applicable service.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(h) Pensions

The Corporation participates in multi-employer pension plans with related government entities. Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year.

(i) Provision for Losses on Loans and Guarantees

Provisions are established for specifically identified potential losses on loans and guarantees. When a loan is identified as impaired, a specific provision is established. Specific provisions are established by reducing the recorded investment in the loan by the discounted fair value of the security and the estimated costs to collect. Specific provisions are determined in this manner because the amounts and timing of future cash flows cannot be estimated with reasonable reliability. The provision for doubtful accounts is adjusted for the change in the present value of the security held.

In addition to the specific provision, the Corporation establishes a general allowance for doubtful accounts not meeting the specific provision criteria. The general allowance is management's estimate of loss on loan balances based on assessed risk for each account. Risk for each account is determined based on credit risk score, arrears, certain amendments to loan terms and shortfalls of security covering loan balances.

(j) Transactions with Related Parties

The Province of Alberta and the Government of Canada significantly influence the programs delivered by the Corporation and are major contributors to the funding of the programs. Therefore, both governments are considered related parties. All related party transactions with the Province and the Government of Canada have been recorded at the amount of consideration paid or received as agreed to by the related party (see Note 15).

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(k) AgriInvest and AgriStability Program

Indemnities and administration expenses for the AgriStability program and corresponding contributions from the Governments of Canada and Alberta are recorded at 100% because the program is delivered by the corporation. Indemnities and administration expenses under the AgriInvest program and corresponding contributions are recorded at 40% reflecting the Government of Alberta's share of program payments and costs because the program is delivered by Agriculture and Agri-Food Canada. In 2009, Agriculture and Agri-Food Canada started to deliver this program necessitating the change in accounting. The change in accounting and disclosure for indemnities and administration expenses for the AgriInvest program has been applied retroactively. The Statement of Financial Position at March 31, 2008 and the Statement of Operations for the year ended March 31, 2008 have been restated accordingly.

	Previously Reported	Restated
Statement of Financial Position		
Due from Government of Canada	$ 212,704	$ 171,497
Indemnities Payable	344,390	303,183
Statement of Operations		
Contribution from Government of Canada	136,157	94,950
Indemnities	462,411	421,204

Note 3 Financial Structure

(a) Budget

The Board of Directors approved the Corporation's budget in September 2007. Provincial funding for the approved budget of $295,630 was authorized by the Legislative Assembly. An additional contribution of $392,519 towards the Alberta Farm Recovery Programs was approved by the Legislative Assembly during the year.

(b) Crop Fund Balance Restriction

In accordance with the Federal/Provincial Agricultural Policy Framework Implementation Agreement, the crop insurance fund is restricted to being used for production insurance purposes.

(c) Other Revenue and Expenses

The Other column in the Schedule of Operations includes the wildlife program, the cattle price insurance program and consulting fees and expenses that are not attributable to any of the programs disclosed in the Schedule.

AGRICULTURE FINANCIAL SERVICES CORPORATION

(dollars in thousands)

Note 4 Accounts Receivable

	2009	2008
Canadian Agricultural Income		
Stabilization program:		
Overpayments and advances	$ 34,016	$ 69,572
Administration fees	3,104	4,680
Premiums from insured persons:		
Production insurance program	9,392	8,589
Hail insurance program	530	177
Prepaid expenses	1,328	1,216
Other	291	2,151
	48,661	86,385
Less allowances for doubtful accounts (Note 12)	(10,134)	(6,661)
	$ 38,527	$ 79,724

CAIS overpayments are non-interest bearing until December 31, 2008. If the overpayment is not repaid or converted to a loan, the Corporation will pursue collection. Collection will include the recovery of the overpayment from future payments under the programs delivered by the Corporation as well as programs administered by the Province of Alberta and Government of Canada.

The allowance for doubtful accounts of $10,134 (2008 $6,661) for estimated losses on premiums receivable and overpayments is also subject to measurement uncertainty. The allowance estimate is based on an assessment of the ability to collect the outstanding balance.

Note 5 Loans Receivable

Loans receivable are comprised of the following:

	2009 Farm	2009 Commercial	2009 Total	2008 Total
Recorded investment	$ 976,287	$ 197,731	$ 1,174,018	$ 1,078,149
Specific allowance	(735)	(11,516)	(12,251)	(12,680)
General allowance	(11,247)	(973)	(12,220)	(14,588)
	964,305	185,242	1,149,547	1,050,881
Accrued interest	24,165	1,056	25,221	24,451
Accrued incentives	(1,090)	-	(1,090)	(1,522)
Loan discounts	(493)	-	(493)	(754)
Net carrying value	$ 986,887	$ 186,298	$ 1,173,185	$ 1,073,056

Impaired loans included in the preceding schedule:

	2009 Farm	2009 Commercial	2009 Total	2008 Total
Recorded investment	$ 898	$ 13,164	$ 14,062	$ 22,403
Specific allowance	(735)	(11,516)	(12,251)	(12,680)
Net carrying value	$ 163	$ 1,648	$ 1,811	$ 9,723

The impaired loans balance includes property held for sale which has been acquired as a result of foreclosures, quit claims and other actions. There is a specific allowance of $2,330 (2008 $2,146) on property balances outstanding of $2,799 (2008 $2,591).

Included in the above loans receivable balance are loans with concessionary terms which, before discounting, have principal amounts outstanding of:

	2009	2008
Alberta Disaster Assistance Loan Program	$ 24,886	$ 29,742
Alberta Farm Income Disaster loans	8,949	12,949
Indexed Deferral Plan	77	341
	$ 33,912	$ 43,032

Included in Loans receivable is a specific allowance of $12,251 (2008 $12,680) and a general allowance of $12,220 (2008 $14,588) that are subject to measurement uncertainty. The amount established for specific and general allowances of $24,471 to cover estimated losses on loans (see Note 2(i)) could change substantially in the future, if factors considered by management in establishing these estimates were to change significantly.

Loans Receivable is secured by tangible assets consisting predominantly of land followed by building, equipment and other assets. The estimated values of such tangible securities are $2,089,431 (2008 $1,996,813)

Note 5 Loans Receivable (continued)

Fair values of loans receivable are not disclosed. Loans receivable consists of developmental loans with uncommon terms such as interest rate rebates/incentives, concessionary interest rates, provision for prepayments with no penalties, fixed interest rates with longer terms and loans with relatively higher financial risks. Determining the fair values of loans receivable with sufficient reliability is not practical due to the absence of verifiable information from established financial markets for such loans.

Note 6 Investments

	2009	2008
Bonds and debentures:		
Government of Canada, direct and guaranteed	$ 172,113	$ 228,040
Other provincial direct and guaranteed	128,052	46,424
	300,165	274,464
Corporate securities	163,366	159,648
	463,531	434,112
Accrued interest	5,465	4,480
	$ 468,996	$ 438,592

The fair value of investments at March 31, 2009 is $475,504 (2008 $443,770). Fair value is based on quoted market prices including accrued interest.

Note 7 Property and Equipment

	Land	Building	Furniture and Fixtures	Computer Equipment and Software	2009 Totals	2008 Totals
	Infinite	25 - 40 years	10 years	2 - 10 years		
Cost						
Beginning of year	347	9,793	4,551	57,458	72,149	67,376
Additions	-	166	1,012	10,337	11,515	9,469
Disposals and writedown	-	-	(984)	(704)	(1,688)	(4,696)
	347	9,959	4,579	67,091	81,976	72,149
Accumulated amortization						
Beginning of year	-	2,601	3,545	29,653	35,799	32,981
Amortization expense	-	355	317	6,145	6,817	7,382
Disposal and writedown	-		(978)	(695)	(1,673)	(4,564)
	-	2,956	2,884	35,103	40,943	35,799
Net book value at March 31, 2009	$ 347	$ 7,003	$ 1,695	$ 31,988	$ 41,033	
Net book value at March 31, 2008	$ 347	$ 7,192	$ 1,006	$ 27,805		$ 36,350

Computer equipment and software costs include $12,203 (2008 $4,742) of costs incurred that are not amortized because they are still in the development stage. Amortization is recorded on a straight-line basis over the estimated useful lives of the assets.

Note 8 Indemnities Payable

	2009	2008 (Restated) (Note 2(k))
AgriInvest and AgriStability and related programs (previously CAIS program)	$ 290,561	$ 297,702
Production insurance	7,145	4,802
Wildlife compensation	1,617	212
Hail insurance	649	467
	$ 299,972	$ 303,183

Estimated indemnities payable of $290,561 and corresponding contributions and receivables from the Province of Alberta and Government of Canada for the AgriInvest and AgriStability programs (replacement of CAIS, effective the 2007 claim year) are subject to measurement uncertainty because they could change significantly in the future, if factors considered by management in establishing the estimates were to change significantly.

AgriInvest and AgriStability indemnities payable includes estimated payments for the 2008 claim year of $185,150 for the vast majority of claims that have not been received yet because the deadline for submission of complete information is after the end of the fiscal year. The program payments are triggered when the participants claim year program margin falls below their support level. Indemnities payable includes 100% estimated payments of $202,517 for claims under the AgriStability program and only the Government of Alberta's 40% share of claims under the AgriInvest program of $45,610.

The two factors impacting estimated indemnities payable for the 2008 claim year are the number of participants and estimated program margins. The estimated number of participants for the 2008 claim year is based on the number of farm operations participating in the program during the 2007 claim year. The estimated program margins are based on forecasted changes in eligible income and expenses between 2007 and 2008. Based on historical experience of variability between forecasts and actual results of key assumptions, the estimated indemnities for the 2008 claim year of $196,080 would range from $165,496 to $226,634.

Indemnities payable includes estimated payments of $75,298 for claims received but not processed for the 2007 and prior claim years (2008 $72,176 for the 2006 and prior claim years). The estimates for the 2007 claim year are based on the number of claims received but not yet processed and the estimated average payment per claim. Indemnities payable also includes estimated payments of $30,113 for related programs (2008 $65,920). The related programs were approved by the Government of Alberta for the 2006 and 2007 claim years. The estimate is based on historical payment ratios for claims processed.

Note 9 Notes Payable

Notes payable to the Province of Alberta are comprised of the following:

Remaining Term to Maturity	Effective Interest Rate	2009	Effective Interest Rate	2008
Within 1 year	0.38%	$ 40,000	2.25% - 3.75%	$ 140,000
1 to 5 years	3.25% - 7.64 %	454,957	3.43% - 7.64%	319,877
6 to 10 years	4.21% - 5.93%	301,672	4.21% - 6.52%	377,084
Over 10 years	4.43% - 4.97%	313,294	4.43% - 5.12%	159,142
Accrued interest		15,108		12,934
Unamortized discount		(1,583)		(2,318)
		$ 1,123,448		$ 1,006,719

Principal repayments due in each of the next five years are as follows:

Year ending March 31,	2010	$ 89,438
	2011	$ 278,687
	2012	$ 84,425
	2013	$ 46,053
	2014	$ 83,393

The approximate fair value at March 31, 2009 is $1,174,308 (2008 $1,047,981). Fair value is an approximation of market value to the holder.

Note 10 Unearned Revenue

Unearned revenue is comprised of $7,168 (2008 $6,576) of premiums received from producers for production insurance programs relating to the next fiscal year.

Note 11 Pensions

The Corporation participates in the multi-employer Management Employees Pension Plan and Public Service Pension Plan. The Corporation also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $3,251 for the year ended March 31, 2009 (2008 $2,821).

At December 31, 2008, the Management Employees Pension Plan reported a deficiency of $568,574 (2007 deficiency $84,341) and the Public Service Pension Plan reported a deficiency of $1,187,538 (2007 deficiency $92,509). At December 31, 2008, the Supplementary Retirement Plan for Public Service Managers had a deficiency of $7,111 (2007 surplus $1,510). The Corporation's share of these pension plans' surplus or deficiency is not determinable.

AGRICULTURE FINANCIAL SERVICES CORPORATION

(dollars in thousands)

Note 12 Allowances for Doubtful Accounts and for Losses

	Accounts Receivable (Note 4)	Farm Lending Loans Receivable (Note 5)	Commercial Lending Loans Receivable (Note 5)	Loan Guarantees (Note 13)	2009 Total	2008 Total
Allowances at beginning of year	$ 6,661	$ 14,264	$ 13,004	$ 652	$ 34,581	$ 40,953
Provisions	4,479	(2,229)	1,015	(141)	3,124	6,190
Write-offs, net of recoveries	(1,006)	(53)	(1,530)	-	(2,589)	(12,562)
Allowances at end of year	$ 10,134	$ 11,982	$ 12,489	$ 511	$ 35,116	$ 34,581

Note 13 Contingencies and Commitments

Contingent Liability

	2009	2008
Loan guarantees	$ 13,998	$ 19,587
Less allowances for losses (Note 12)	(511)	(652)
	13,487	18,935
Legal actions	880	180
Total contingencies	$ 14,367	$ 19,115

The majority of loan guarantees relate to loans made by other financial institutions with repayment guaranteed by the Corporation.

Legal actions represent amounts claimed or amounts claimed in excess of what was accrued. The outcome of the legal actions is not determinable at this time.

Commitments

	2009	2008
Approved, undisbursed loans	$ 43,978	$ 59,250
Reinsurance	23,090	9,229
Estimated farm loan incentives	4,045	7,400
Operating leases	1,976	740
Total commitments	$ 73,089	$ 76,619

The operating lease commitments are for accommodations with terms up to five years.

Note 14 Credit Risk and Interest Risk

(a) Credit Risk

Credit risk is the risk that a debtor may not pay amounts owing thus resulting in a loss.

The following breakdown of the loan receivables provides an indication of the concentration of credit risk on the loan portfolio. Significant information is provided throughout these statements to disclose other concentrations of credit risk.

	2009	2008
Loans receivable by sector:		
Grain and Oilseeds	$ 523,574	$ 469,071
Cattle	379,086	365,791
Other Livestock	62,749	60,404
Manufacturing	50,125	45,599
Accommodations and Other Services	47,439	45,458
Trade - Retail and Wholesale	37,157	31,184
Other	97,526	82,817
Allowance	(24,471)	(27,268)
	$ 1,173,185	$ 1,073,056

Note 14 Credit Risk and Interest Risk (continued)

(b) Interest Risk

Loans Receivable and Notes Payable

Interest rate risk is the impact future changes of interest rates have on cash flows and fair value of assets and liabilities. The gap position presented in the following table is determined as at the close of business on March 31, 2009. The Corporation allows its customers to prepay their loans without any prepayment penalties. In the normal course of business, loan customers prepay their loans in part or full prior to the contractual maturity date. Therefore, the following position of AFSC Lending Operations may change significantly due to loan customer payment preferences and the Corporation's risk management practices.

	Scheduled Repayment[1]				Not[2] Interest	2009	2008
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	Rate Sensitive	Total	Total
Loan balances	$ 107,438	$ 366,302	$ 340,991	$ 353,582	$ 4,862	$ 1,173,185	$ 1,073,056
Yield[3]	5.80%	6.04%	6.21%	5.81%		6.02%	6.05%
Notes payable							
Province of Alberta	$ 89,438	$ 492,557	$ 214,634	$ 313,294	$ 13,525	$ 1,123,448	$ 1,006,719
Yield[3]	4.60%	4.98%	4.96%	4.24%		4.82%	4.81%
Net gap	$ 18,000	$ (126,255)	$ 126,357	$ 40,298	$ (8,663)	$ 49,737	$ 66,337

[1] For loan balances, scheduled repayments of principal and interest are based on amortization of loans for the remaining term up to maturity at applicable interest rates. For notes payable, scheduled repayments reflect contractual payments of interest and repayment of principal. The interest rates are fixed until maturity. Repayment is either by semi-annual, annual installments or full repayment at maturity of principal.

[2] Includes specific and general allowance, accrued interest, accrued beginning farmer incentive and unamortized loan discount.

[3] For notes payable yield represents the rate which discounts future cash receipts to the carrying amount.

Note 14 Credit Risk and Interest Risk (continued)

(b) Interest Risk (continued)

Investments

The above gap analysis does not include the investment portfolio, which is disclosed separately below. Investments are not included because investments relate to insurance program cash flows which are managed separately from lending program cash flows.

The following provides a breakdown of the investment portfolio by term to maturity.

	Term to Maturity [1]			2009	2008
	Within 1 Year	1 to 5 Years	6 to 10 Years	Total	Total
Bonds and debentures	$ 701	$ 217,461	$ 82,003	$ 300,165	$ 274,463
Yield [2]	0.52%	1.94%	2.59%	2.11%	4.29%
Corporate Securities	13,489	138,283	11,595	163,367	159,649
Yield [2]	4.57%	5.49%	5.97%	5.44%	4.56%
	14,190	355,744	93,598	463,532	434,112
Accrued interest	233	4,034	1,198	5,465	4,480
	$ 14,423	$ 359,778	$ 94,796	$ 468,997	$ 438,592

[1] For investments, term to maturity classifications are based on contractual maturity date of the security.

[2] For investments yield represents the rate which discounts future cash receipts to the carrying amount.

Note 15 Related Party Transactions

Sufficient information is provided throughout these statements to disclose significant related party transactions the Corporation entered into, except for the following:

	2009	2008
Interest expense - Province of Alberta	$ 57,287	$ 46,402
Administration expense - Province of Alberta	1,725	1,710
Administration expense - Government of Canada	881	661

Note 16 Crop Reinsurance Funds

The contributions, withdrawals and accumulated surplus positions of the Crop Reinsurance Fund of Alberta and Crop Reinsurance Fund of Canada for Alberta are as follows (see Note 2(e)):

	Crop Reinsurance Fund of Alberta		Crop Reinsurance Fund of Canada for Alberta	
	2009	2008	2009	2008
Opening surplus	$ 18,978	$ 17,713	$ 19,655	$ 18,513
Contributions	1,946	1,265	1,946	1,142
Closing surplus	$ 20,924	$ 18,978	$ 21,601	$ 19,655

Note 17 Comparative Figures

The 2008 figures have been reclassified and restated where necessary to conform to 2009 presentation.

Schedule 1

AGRICULTURE FINANCIAL SERVICES CORPORATION
SCHEDULE OF OPERATIONS
YEAR ENDED MARCH 31, 2009
(dollars in thousands)

	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	AgriInvest and AgriStability	AgriInvest and AgriStability (Restated) (Note 2(k))	Production Insurance	Production Insurance	Lending	Lending	Hail Insurance	Hail Insurance	Other	Other	Total	Total (Restated) (Note 2(k))
Revenue:												
Premiums from insured persons	$ -	$ -	$ 166,015	$ 114,452	$ -	$ -	$ 43,450	$ 31,649	$ -	$ -	$ 209,465	$ 146,101
Interest	332	107	1,010	656	71,287	66,624	117	98	23	113	72,769	67,598
Contribution from Province of Alberta	532,006	146,654	151,485	108,667	1,217	1,989	-	-	4,478	4,506	689,186	261,816
Contribution from Government of Canada	117,384	(13,152)	147,576	102,504	-	-	-	-	3,461	5,598	268,421	94,950
Investment income	(529)	7,119	29,648	28,092	1,239	576	746	1,436	98	(27)	31,202	37,196
Fees and other income	8,508	10,020	9	62	2,055	1,704	11,702	418	96	703	22,370	12,907
	657,681	150,748	495,743	354,433	75,798	70,893	56,015	33,601	8,156	10,893	1,293,393	620,568
Expense:												
Indemnities	630,266	131,514	264,930	241,080	-	-	73,574	40,265	6,100	8,345	974,870	421,204
Administration (Schedule 2)	22,112	19,757	28,214	27,695	21,477	21,111	2,809	2,427	1,980	2,252	76,592	73,242
Interest	-	-	-	-	57,287	46,402	-	-	-	86	57,287	46,488
Reinsurance	-	-	11,913	15,000	-	-	959	698	-	-	12,872	15,698
Farm loan incentives	-	-	-	-	2,617	3,574	-	-	-	-	2,617	3,574
Provision for doubtful accounts and for losses (Note 12)	4,636	(1,978)	(303)	(363)	(1,355)	8,667	(1)	(132)	147	(4)	3,124	6,190
Selling commissions	-	-	-	-	-	-	2,480	2,122	-	-	2,480	2,122
	657,014	149,293	304,754	283,412	80,026	79,754	79,821	45,380	8,227	10,679	1,129,842	568,518
Surplus (deficit) for the year	667	1,455	190,989	71,021	(4,228)	(8,861)	(23,806)	(11,779)	(71)	214	163,551	52,050
Surplus at beginning of year	14,184	12,729	642,539	571,518	76,901	85,762	26,673	38,452	1,724	1,510	762,021	709,971
Surplus at end of year	$ 14,851	$ 14,184	$ 833,528	$ 642,539	$ 72,673	$ 76,901	$ 2,867	$ 26,673	$ 1,653	$ 1,724	$ 925,572	$ 762,021

AGRICULTURE FINANCIAL SERVICES CORPORATION
SCHEDULE OF ADMINISTRATION EXPENSE
YEAR ENDED MARCH 31, 2009
(dollars in thousands)

	2009		2008
	Budget (Note 3(a))	Actual	Actual
Salaries and benefits (Note 11)	$ 50,787	$ 48,925	$ 46,267
Amortization of capital assets	7,313	6,817	7,382
Office accomodation costs	3,297	4,846	3,694
Travel and training	4,561	3,949	4,002
Contracted services	2,787	3,783	4,078
Data processing	1,185	1,973	1,639
Stationery and supplies	1,580	1,780	2,581
Advertising	802	1,300	1,010
Telecommunications	927	977	856
Postage and freight	528	675	520
Professional services	775	539	474
Equipment, rental and maintenance	409	459	252
Directors' fees and expenses	515	423	362
Miscellaneous	129	146	125
	$ 75,595	$ 76,592	$ 73,242

AGRICULTURE FINANCIAL SERVICES CORPORATION

SCHEDULE OF SALARIES AND BENEFITS

YEAR ENDED MARCH 31, 2009

(dollars in thousands)

	2009				2008
	Base Salary[1]	Other Cash Benefits[2]	Other Non-cash Benefits[3]	Total	Total
Chairman of Board	$ 81	$ -	$ -	$ 81	$ 78
Board members[4]	195	-	-	195	152
President and Managing Director	302	91	68	461	401
Executive/Vice-Presidents					
Vice-President, Finance & Corporate Affairs	190	53	45	288	241
Vice-President, Lending Operations	190	29	45	264	230
Vice-President, Risk Management	190	37	45	272	248
Vice-President, Human Resources & Community Relations[5]	174	35	42	251	-

[1] Base salaries are fees for Chair and Board members and base pay for employees.

[2] Other cash benefits include bonuses, vacation payments and lump sum payments.

[3] Other non-cash benefits include employer's share of all employee benefits and contributions or payments made on behalf of employees, including health care, dental, medical and vision care allowance, group life insurance benefits, pension and supplementary retirement plan, employment insurance, accidental death/dismemberment and long-term disability insurance, workers' compensation and professional memberships. No amount is included in other non-cash benefits for an automobile provided to the President and Managing Director.

[4] The amounts relate to eight Board members during 2008/09 (eight in 2007/08).

[5] This is a new position created effective April 1, 2008.

Alberta Livestock and Meat Agency Ltd.

Financial Statements

For the 2 Month Period Ended
March 31, 2009

Alberta Livestock and Meat Agency Ltd.

Financial Statements

For the 2 months ended
March 31, 2009

CONTENTS

149 Auditor's Report

150 Statement of Operations

151 Statement of Financial Position

152 Statement of Cash Flows

153 Notes to the Financial Statements

157 Schedule of Salary and Benefits

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Directors of the Alberta Livestock and Meat Agency Ltd.

I have audited the statement of financial position of the Alberta Livestock and Meat Agency Ltd. as at March 31, 2009 and the statements operations and cash flows for the period then ended. These financial statements are the responsibility of the Agency's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2009 and the results of its operations and its cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

[original signed by Fred J. Dunn]
FCA
Auditor General

Edmonton, Alberta
May 26, 2009

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

STATEMENT OF OPERATIONS

FOR THE 2 MONTHS ENDED MARCH 31, 2009
(in thousands)

	2009 Actual
Revenues	
Internal Government Transfers	$ 4,000
Investment Income	1
	4,001
Expenses - Directly Incurred	
Corporate Administration	
Corporation start-up costs	390
General administration	146
Board and Committees	118
Market Development	20
Supply Chain Development	1
Strategic Development	21
	696
Net Operating Results	$ 3,305

The accompanying notes and schedule are part of these financial statements.

Original signed by:

Joe Mackowecki, Chair of the Board

Kim McConnell, Director

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2009

(in thousands)

		2009
Assets (Note 3)		
Cash and Cash Equivalents	$	25,688
Accounts Receivable		42
Investments (Note 4)		8,044
Prepaid Expenses		7
Tangible Capital Assets (Note 5)		622
	$	34,403
Liabilities (Note 3)		
Accounts Payable and Accrued Liabilities	$	1,347
Grants Payable		18
Unearned Revenue (Note 6)		29,733
	$	31,098
Net Assets		
Net Assets at Beginning of Period	$	-
Net Operating Results		3,305
Net Assets at End of Period		3,305
	$	34,403

The accompanying notes and schedule are part of these financial statements.

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

STATEMENT OF CASH FLOWS

FOR THE 2 MONTHS ENDED MARCH 31, 2009

(in thousands)

		2009
Operating Transactions		
Net Operating Results	$	3,305
Non-cash items included in Net Operating Results - Amortization		1
		3,306
Increase in Accounts Receivable		(1)
Increase in Accounts Payable and Accrued Liabilities		1,309
Cash Provided by Operating Transactions		**4,614**
Capital Transactions		
Acquisition of Tangible Capital Assets		(614)
Cash Applied to Capital Transactions		**(614)**
Financing Transactions		
Cash & Cash Equivalents provided by Transfer of Industry Funds (Note 3)		21,688
Cash Provided by Financing Transactions		**21,688**
Increase in Cash and Cash Equivalents		**25,688**
Cash and Cash Equivalents, Beginning of Period		-
Cash and Cash Equivalents, End of Period	$	**25,688**

The accompanying notes and schedule are part of these financial statements.

Notes to the Financial Statements for the 2 Months Ended March 31, 2009

Note 1 Authority and Purpose

The Alberta Livestock and Meat Agency Ltd. was incorporated on January 29, 2009 under the *Alberta Business Corporations Act* (Alberta).

The Alberta Livestock and Meat Agency Ltd. (ALMA) is a subsidiary of the Ministry of Agriculture and Rural Development of the Province of Alberta. The Ministry of Agriculture and Rural Development and its wholly owned subsidiaries are exempt from the payment of income tax under Section 149 of the *Income Tax Act.*

ALMA was established to revitalize Alberta's livestock and meat industry and to act as a catalyst to help enhance industry competitiveness and profitability.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

This financial information is prepared primarily in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The precise determination of many assets and liabilities is dependent upon future events. Accordingly, the preparation of financial statements for a reporting period necessarily involves the use of estimates and approximations which have been made using careful judgement. Actual results could differ from those estimates. These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below which have been established by government for Provincial Corporations.

Basis of Financial Reporting

Revenues - All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Internal Government Transfers - Internal government transfers are transfers between entities within the government reporting entity making the transfer does not receive any goods or services directly in return.

Expenses

Directly Incurred - Directly incurred expenses are those costs that ALMA has primary responsibility and accountability for, as reflected in the Government's budget documents.

In additional to the program operating expenses such as salaries, supplies, etc., directly incurred expenses also include amortization of tangible capital assets.

Grants are recognized as expenses when authorized, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

Assets - Cash consists of deposits in the Consolidated Cash Investment Trust Fund, which is managed by Alberta Finance to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital.

Due to the relatively short period of maturity, short-term financial instruments are valued at cost and adjusted for allowance for doubtful accounts, if applicable. The resulting net book value is considered to be equivalent to fair value. This approach applies to cash, short-tem investments, accounts receivable, accounts payable and accrued liabilities and grants payable.

Investments are carried at cost or amortized cost, unless there is an other than temporary decline in value of the investment, then the invests are written down to recognize the decline. Gains and losses realized on disposal of investments are included in investment income.

Tangible capital assets are recorded at historical cost and amortized on a straight-line basis over the estimate useful lives of the assets. The threshold for capitalizing new systems development is $100,000 and the threshold for all other tangible capital assets is $5,000.

Liabilities - Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Grants payable are recognized when eligibility criteria are met and reasonable estimate of the amounts can be made.

Note 2 Summary of Significant Accounting Policies and Reporting Practices - continued

Net Assets - Net assets represents the difference between the carrying value of assets held by ALMA and its liabilities.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash, accounts receivable and accounts payable and accrued liabilities are estimated to approximate their carrying values because of the short-term nature of these instruments.

The fair value of short-term investments has been described in Note 4. When the market value of short-term investments has declined below the carrying value, the investments will be recorded at market value.

Note 3 Transfer of Industry Funds

(in thousands)

As at March 31, 2009 ALMA assumed responsibility for the majority of assets and liabilities under the terms of two separate Assignment, Novation and Transfer Agreements dated for reference March 16, 2009, with the Alberta Livestock Industry Development Fund (ALIDF) and the Diversified Livestock Fund of Alberta (DLFOA). The result of this transfer will be for ALMA to assume responsibility for the delivery of provincially sponsored programs from these two industry funds.

The value of assets and liabilities transferred to ALMA are listed below:

	ALIDF	DLFOA	Total
Assets			
Cash and cash equivalents	$ 16,474	$ 5,214	$ 21,688
Investments	8,044	-	8,044
Accounts receivable	40	1	41
Prepaid exenses	7	-	7
Tangible capital assets	9	-	9
	$ 24,574	$ 5,215	$ 29,789
Liabilities			
Accounts payable and accrued liabilities	$ 38	$ -	$ 38
Grants payable	18	-	18
Unearned revenue	24,518	5,215	29,733
	$ 24,574	$ 5,215	$ 29,789

Note 4 Investments

(in thousands)

Canadian bonds - other provinces	$ 703
Canadian equities	4,609
US equities	1,601
International equities	1,131
	$ 8,044

These investments were transferred to ALMA from ALIDF on March 31, 2009. The cost of the investments to ALMA is the fair market value on the date of the transfer; accordingly, the market value and cost are the same on that day.

Note 5 Tangible Capital Assets

	Equipment and Vehicles	2009 Totals
Estimated Useful Life	10 years	
	(in thousands)	
Historical Cost		
Beginning of year	$ -	$ -
Additions	623	623
Disposals	-	-
	$ 623	$ 623
Accumulated Amortization		
Beginning of year	$ -	$ -
Amortization expense	1	1
Effect of disposals	-	-
	$ 1	$ 1
Net Book Value at March 31, 2009	$ 622	$ 622

Additions include $9 tangible capital assets received from ALIDF at the date of transfer on March 31, 2009 for those assets that meet the capitalization criteria where original cost exceeds $5,000.

Note 6 Unearned Revenue

(in thousands)

The transfer of industry funds from ALIDF and DLFOA includes restricted fund obligations assumed by ALMA which are recorded as Unearned Revenue. Details for each fund and the status of these obligations are as follows:

	Contractual Obligations	Approved and Not Yet Contracted	Other Unearned Revenue	Total
		(in thousands)		
ALIDF Fund 1 - 2001 Industry Development Initiative	$ 265	$ -	$ 4	$ 269
ALIDF Fund 2 - 2004 Post BSE Commercialization and Development	13,870	1,220	204	15,294
ALIDF Fund 3 - 2006 Research and Development Initiative	4,294	-	12	4,306
ALIDF Fund 4 - 2007 Bluetongue and Anaplasmosis	467	-	-	467
ALIDF Fund 5 - 2008 Competitiveness Initiative	34	-	1	35
ALIDF Fund 6 - 2008 Agriculture Environmental Initiative	-	300	-	300
ALIDF Fund 7 - 2008 Enhanced Livestock and Meat Sector Initiative	627	2,278	942	3,847
DLFOA Fund 1 - 2001 Diversified Livestock Initiative	-	-	30	30
DLFOA Fund 2 - 2005 Diversified Livestock Initiative	-	-	21	21
DLFOA Fund 3 - 2006 Development Initiatives	82	-	103	185
DLFOA Fund 5 - 2008 Diversified Livestock Research and Development	108	1,601	3,270	4,979
	$ 19,747	$ 5,399	$ 4,587	$ 29,733

Note 7 Contractual Obligations

(in thousands)

ALMA has obligations to disburse funds in accordance with the terms specified in the grant agreements with various applicants as approved by the respective Boards of ALIDF and DLFOA ($19,747). In addition, ALMA has assumed a lease obligation from ALIDF expiring in October 2009 ($45).

The aggregate amounts payable for the terms of these contractual obligations are as follows:

2010	$	13,696
2011		4,524
2012		1,461
2013		111
	$	19,792

Note 8 Related Party Balances and Transactions

(in thousands)

ALMA received an operating grant from the Department in the amount of $4,000, which is identified as an internal government transfer in the Statement of Operations.

The transfer from ALIDF included a grant to the Department where the approval to pay the grant had been received in principle, however since eligibility criteria had not been met under the terms of the applications as at March 31, 2009, the remaining commitment of $1,810 has been included in unearned revenue.

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

SCHEDULE OF SALARY AND BENEFITS DISCLOSURE

FOR THE PERIOD JULY 3, 2008 TO MARCH 31, 2009

	2009				
	Base Salary - Pre-Incorporation [1]	Base Salary - Post-Incorporation [1]	Other Cash Benefits [2]	Other Non-Cash Benefits [3]	Total
Chairman of Board [4]	$ 110,000	$ 6,000	$ -	$ -	$ 116,000
Board Members [4][5]	156,800	82,550	-	-	239,350
President and Chief Executive Officer [4][6]	95,943	28,551	7,415	27,091	159,001

Prepared in accordance with Treasury Board Directive 12/98 as amended.

Total salary and benefits relating to a position are disclosed.

(1) Base salary includes fees for Chair and Board members and base pay for employees.
Pre-incorporation costs were paid by the Department of Agriculture and Rural Development.

(2) Other cash benefits include bonuses, vacation payouts, overtime and lump sum payments.

(3) Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships and tuition fees.

(4) The President and Chief Executive Officer and board members were appointed prior to incorporation.

(5) The Board consists of ten members including the Chairman and the President and Chief Executive Officer, whose salaries are disclosed separately. Board members were appointed throughout the year, and appointments will continue until all positions have been filled.

(6) The position was occupied by two individuals during the year.

Other Information

Summary of Financial Information

* Information on this page has not been audited *

Statement of Remissions, Compromises and Write-Offs for the Year Ended March 31, 2009

The following statement has been prepared pursuant to Section 23 of the *Financial Administration Act*. The statement includes all remissions, compromises and write-offs made or approved during the fiscal year.

Write-offs

Departmental accounts receivable	$ 1,127
Alberta Livestock and Meat Agency Ltd.	-
Agriculture Financial Services Corporation	2,589,205
Total remissions, compromises and write-offs	**$ 2,590,332**

The following statement has been prepared pursuant to Section 75 of the *Financial Administration Act*. The statement includes all guarantees, indemnities, payments and recoveries made during the fiscal year.

Statement of Guarantees and Indemnities Given by Provincial Corporations for the Year Ended March 31, 2009

Program/Borrower	**Amount of Guarantee or Indemnity**	**Payments**	**Recoveries**
Agriculture Financial Services Corporation	$ 2,140,000	375,000	$ 12,622
Total guarantees and indemnities given	**$ 2,140,000**	**375,000**	**$ 12,622**

Alphabetical List of Government Entities' Financial Statements in Ministry 2008 – 2009 Annual Reports

Entities included in the Consolidated Government Reporting Entitiy

Ministry, Department, Fund or Agency	Ministry Annual Report
Access to the Future Fund	Advanced Education and Technology
Agriculture Financial Services Corporation	Agriculture and Rural Development
Alberta Alcohol and Drug Abuse Commission	Health and Wellness
Alberta Cancer Prevention Legacy Fund	Finance and Enterprise
Alberta Capital Finance Authority	Finance and Enterprise
Alberta Energy and Utilities Board[1]	Energy
Alberta Enterprise Corporation[2]	Advanced Education and Technology
Alberta Foundation for the Arts	Culture and Community Spirit
Alberta Gaming and Liquor Commission	Solicitor General and Public Security
Alberta Heritage Foundation for Medical Research Endowment Fund	Finance and Enterprise
Alberta Heritage Savings Trust Fund	Finance and Enterprise
Alberta Heritage Scholarship Fund	Finance and Enterprise
Alberta Heritage Science and Engineering Research Endowment Fund	Finance and Enterprise
Alberta Historical Resources Foundation	Culture and Community Spirit
Alberta Insurance Council	Finance and Enterprise
Alberta Investment Management Corporation[3]	Finance and Enterprise
Alberta Livestock and Meat Agency[4]	Agriculture and Rural Development
Alberta Local Authorities Pension Plan Corporation	Finance and Enterprise
Alberta Pensions Administration Corporation	Finance and Enterprise
Alberta Petroleum Marketing Commission	Energy
Alberta Research Council Inc.	Advanced Education and Technology
Alberta Risk Management Fund	Finance and Enterprise
Alberta School Foundation Fund	Education
Alberta Securities Commission	Finance and Enterprise
Alberta Social Housing Corporation	Housing and Urban Affairs
Alberta Sport, Recreation, Parks and Wildlife Foundation	Tourism, Parks and Recreation
Alberta Treasury Branches	Finance and Enterprise
Alberta Utilities Commission[1]	Energy
ATB Insurance Advisors Inc.	Finance and Enterprise
ATB Investment Management Inc.	Finance and Enterprise
ATB Investment Services Inc.	Finance and Enterprise
ATB Securities Inc.	Finance and Enterprise
Child and Family Services Authorities:	Children and Youth Services
Calgary and Area Child and Family Services Authority	
Central Alberta Child and Family Services Authority	
East Central Alberta Child and Family Services Authority	
Edmonton and Area Child and Family Services Authority	
North Central Alberta Child and Family Services Authority	
Northeast Alberta Child and Family Services Authority	
Northwest Alberta Child and Family Services Authority	
Southeast Alberta Child and Family Services Authority	
Southwest Alberta Child and Family Services Authority	
Métis Settlements Child and Family Services Authority	

Ministry, Department, Fund or Agency	**Ministry Annual Report**
C-FER Technologies (1999) Inc.	Advanced Education and Technology
Climate Change and Emissions Management Fund[5]	Environment
Credit Union Deposit Guarantee Corporation	Finance and Enterprise
Colleges:	Advanced Education and Technology
Alberta College of Art and Design	
Bow Valley College	
Grande Prairie Regional College	
Grant MacEwan College	
Keyano College	
Lakeland College	
Lethbridge Community College	
Medicine Hat College	
Mount Royal College	
NorQuest College	
Northern Lakes College	
Olds College	
Portage College	
Red Deer College	
Department of Advanced Education and Technology	Advanced Education and Technology
Department of Agriculture and Rural Development	Agriculture and Rural Development
Department of Children and Youth Services	Children and Youth Services
Department of Culture and Community Spirit	Culture and Community Spirit
Department of Education	Education
Department of Energy	Energy
Department of Finance and Enterprise	Finance and Enterprise
Department of Environment	Environment
Department of Health and Wellness	Health and Wellness
Department of Housing and Urban Affairs	Housing and Urban Affairs
Department of Municipal Affairs	Municipal Affairs
Department of Seniors and Community Supports	Seniors and Community Supports
Department of Solicitor General and Public Security	Solicitor General and Public Security
Department of Sustainable Resource Development	Sustainable Resource Development
Department of Tourism, Parks and Recreation	Tourism, Parks and Recreation
Energy Resources Conservation Board[1]	Energy
Environmental Protection and Enhancement Fund	Sustainable Resource Development
Gainers Inc.	Finance and Enterprise
Government House Foundation	Culture and Community Spirit
Historic Resources Fund	Culture and Community Spirit
Human Rights, Citizenship and Multiculturalism Education Fund	Culture and Community Spirit
iCORE Inc.	Advanced Education and Technology
Lottery Fund	Solicitor General and Public Security
Ministry of Aboriginal Relations6	Aboriginal Relations
Ministry of Advanced Education and Technology	Advanced Education and Technology
Ministry of Agriculture and Rural Development	Agriculture and Rural Development
Ministry of Children and Youth Services	Children and Youth Services
Ministry of Culture and Community Spirit	Culture and Community Spirit
Ministry of Education	Education
Ministry of Employment and Immigration[6]	Employment and Immigration
Ministry of Energy	Energy
Ministry of Environment	Environment
Ministry of Executive Council[6]	Executive Council
Ministry of Finance and Enterprise	Finance and Enterprise
Ministry of Health and Wellness	Health and Wellness

Ministry, Department, Fund or Agency	Ministry Annual Report
Ministry of Housing and Urban Affairs	Housing and Urban Affairs
Ministry of Infrastructure[6]	Infrastructure
Ministry of International and Intergovernmental Relations[6]	International, and Intergovernmental Relations
Ministry of Justice[6]	Justice
Ministry of Municipal Affairs	Municipal Affairs
Ministry of Seniors and Community Supports	Seniors and Community Supports
Ministry of Service Alberta6	Service Alberta
Ministry of Solicitor General and Public Security	Solicitor General and Public Security
Ministry of Sustainable Resource Development	Sustainable Resource Development
Ministry of Tourism, Parks, and Recreation	Tourism, Parks, and Recreation
Ministry of Transportation[6]	Transportation
Ministry of the Treasury Board6	Treasury Board
N.A. Properties (1994) Ltd.	Finance and Enterprise
Natural Resources Conservation Board	Sustainable Resource Development
Persons with Developmental Disabilities Community Boards:	Seniors and Community Supports
Calgary Region Community Board	
Central Region Community Board	
Edmonton Region Community Board	
Northeast Region Community Board	
Northwest Region Community Board	
South Region Community Board	
Provincial Judges and Masters in Chambers Reserve Fund	Finance and Enterprise
Regional Health Authorities and Provincial Health Boards:	Health and Wellness
Alberta Cancer Board	
Alberta Mental Health Board	
Aspen Regional Health Authority	
Calgary Health Region	
Capital Health	
Chinook Regional Health Authority	
David Thompson Regional Health Authority	
East Central Health	
Health Quality Council of Alberta	
Northern Lights Health Region	
Peace Country Health	
Palliser Health Region	
Safety Codes Council	Municipal Affairs
School Boards and Charter Schools:	Education
Almadina School Society	
Aspen View Regional Division No. 19	
Aurora School Ltd.	
Battle River Regional Division No. 31	
Black Gold Regional Division No. 18	
Boyle Street Education Centre	
Buffalo Trail Public Schools Regional Division No. 28	
Calgary Arts Academy Society	
Calgary Girls' School Society	
Calgary Roman Catholic Separate School District No. 1	
Calgary School District No. 19	
Calgary Science School Society	
Canadian Rockies Regional Division No. 12	
CAPE-Centre for Academic and Personal Excellence Institute	

Ministry, Department, Fund or Agency	Ministry Annual Report
Chinook's Edge School Division No. 73	
Christ the Redeemer Catholic Separate Regional Division No. 3	
Clearview School Division No. 71	
East Central Alberta Catholic Separate Schools Regional Division No. 16	
East Central Francophone Education Region No. 3	
Edmonton Catholic Separate School District No. 7	
Edmonton School District No. 7	
Elk Island Catholic Separate Regional Division No. 41	
Elk Island Public Schools Regional Division No. 14	
Evergreen Catholic Separate Regional Division No. 2	
FFCA Charter School Society	
Foothills School Division No. 38	
Fort McMurray Roman Catholic Separate School District No. 32	
Fort McMurray School District No. 2833	
Fort Vermilion School Division No. 52	
Golden Hills School Division No. 75	
Grande Prairie Public School District No. 2357	
Grande Prairie Roman Catholic Separate School District No. 28	
Grande Yellowhead Regional Division No. 35	
Grasslands Regional Division No. 6	
Greater North Central Francophone Education Region No. 2	
Greater Southern Public Francophone Education Region No. 4	
Greater Southern Separate Catholic Francophone Education Region No. 4	
Greater St. Albert Catholic Regional Division No. 29	
High Prairie School Division No. 48	
Holy Family Catholic Regional Division No. 37	
Holy Spirit Roman Catholic Separate Regional Division No. 4	
Horizon School Division No. 67	
Lakeland Roman Catholic Separate School District No. 150	
Lethbridge School District No. 51	
Living Waters Catholic Regional Division No. 42	
Livingstone Range School Division No. 68	
Medicine Hat Catholic Separate Regional Division No. 20	
Medicine Hat School District No. 76	
Moberly Hall School Society	
Mother Earth's Children's Charter School Society	
New Horizons Charter School Society	
Northern Gateway Regional Division No. 10	
Northern Lights School Division No. 69	
Northland School Division No. 61	
Northwest Francophone Education Region No. 1	
Palliser Regional Division No. 26	
Parkland School Division No. 70	
Peace River School Division No. 10	
Peace Wapiti School Division No. 76	
Pembina Hills Regional Division No. 7	
Prairie Land Regional Division No. 25	
Prairie Rose School Division No. 8	
Red Deer Catholic Regional Division No. 39	
Red Deer School District No. 104	
Rocky View School Division No. 41	

Ministry, Department, Fund or Agency	Ministry Annual Report
St. Albert Protestant Separate School District No. 6	
St. Paul Education Regional Division No. 1	
St. Thomas Aquinas Roman Catholic Separate Regional Division No. 38	
Sturgeon School Division No. 24	
Suzuki Charter School Society	
Westmount Charter School Society	
Westwind School Division No. 74	
Wetaskiwin Regional Division No. 11	
Wild Rose School Division No. 66	
Wolf Creek School Division No. 72	
Supplementary Retirement Plan Reserve Fund	Finance and Enterprise
Technical Institutes and The Banff Centre:	Advanced Education and Technology
Northern Alberta Institute of Technology	
Southern Alberta Institute of Technology	
The Banff Centre for Continuing Education	
Universities:	Advanced Education and Technology
Athabasca University	
The University of Alberta	
The University of Calgary	
The University of Lethbridge	
Victims of Crime Fund	Solicitor General and Public Security
The Wild Rose Foundation	Culture and Community Spirit

Entities Not Included in the Consolidated Government Reporting Entity

Fund or Agency	Ministry Annual Report
Alberta Foundation for Health Research	Advanced Education and Technology
Alberta Heritage Foundation for Medical Research	Advanced Education and Technology
Alberta Heritage Foundation for Science and Engineering Research	Advanced Education and Technology
Alberta Teachers' Retirement Fund Board	Education
Improvement Districts' Trust Account	Municipal Affairs
Local Authorities Pension Plan	Finance and Enterprise
Long-Term Disability Income Continuance Plan - Bargaining Unit	Treasury Board
Long-Term Disability Income Continuance Plan - Management, Opted Out and Excluded	Treasury Board
Management Employees Pension Plan	Finance and Enterprise
Provincial Judges and Masters in Chambers (Registered) Pension Plan	Finance and Enterprise
Public Service Management (Closed Membership) Pension Plan	Finance and Enterprise
Public Service Pension Plan	Finance and Enterprise
Special Areas Trust Account	Municipal Affairs
Special Forces Pension Plan	Finance and Enterprise
Supplementary Retirement Plan for Public Service Managers	Finance and Enterprise
Workers' Compensation Board	Employment and Immigration

Footnotes:

1 Effective January 1, 2008, the Alberta Energy and Utilities Board was realigned into two separate regulatory bodies: the Alberta Utilities Commission and the Energy Resources Conservation Board.

2 The Act was proclaimed and came into force on December 5, 2008.

3 Began operations July 1, 2008.

4 Incorporated on January 29, 2009

5 Began operations July 1, 2007.

6 Ministry includes only the departments so separate financial statements are not necessary.

Printed in Canada
September 2009
ISSN 0-7785-0079-9
ISBN 0-7732-6083-8